Twelfth Annual Report

to March 31, 1985

Alberta

FEDERAL AND
INTERGOVERNMENTAL AFFAIRS

Alberta
FEDERAL AND
INTERGOVERNMENTAL AFFAIRS

Office of the Minister

320 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-2585

TO THE HONOURABLE DR. DAVID CARTER
Speaker of the Legislative Assembly of Alberta

Sir:

I have the honour herewith, for the information of the Legislature of Alberta, to present the Twelfth Annual Report of the Department of Federal and Intergovernmental Affairs, covering the period from April 1, 1984 to March 31, 1985.

I have the honour to be, Sir,

Your obedient Servant,

James D. Horsman, Q.C.
Minister of Federal and
Intergovernmental Affairs

Edmonton

Alberta

FEDERAL AND
INTERGOVERNMENTAL AFFAIRS

Office of
the Deputy Minister

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2200, 10025 Jasper Avenue
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TO THE HONOURABLE JAMES D. HORSMAN, Q.C.

Minister of the Department of Federal
and Intergovernmental Affairs

Sir:

I have the honour to submit herewith the Twelfth Annual Report of the Department of Federal and Intergovernmental Affairs.

I have the honour to be, Sir,

Yours truly,

A. G. McDonald
Deputy Minister of Federal
and Intergovernmental Affairs

Edmonton
December 30, 1988

Additional copies of this report are available from:

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Table of Contents

1 / The Department of Federal and Intergovernmental Affairs

4 / Selected Events

5 / Conference Activity

7 / Conferences of Provincial Premiers

8 / First Ministers' Meetings

10 / The Constitution

11 / Energy

12 / Economic and Regional Development Agreement

13 / Federal-Provincial Programs and Activities

14 / International Affairs

24 / Summary

25 / Appendices

Appendices

26 / **Appendix I**
Organization Chart

28 / **Appendix II**
The Twenty-Fifth Annual Premiers' Conference – Communiqués

29 / **Appendix III**
Western Premiers' Conference – Communiqués

33 / **Appendix IV**
Closing Remarks by Premier Lougheed to First Ministers' Conference on the Economy

34 / **Appendix V**
First Ministers' Conference on The Economy: Memorandum of Agreement

35 / **Appendix VI**
Free Trade With The United States: An Alberta Perspective

40 / **Appendix VII**
Correspondence Respecting Senate Reform

42 / **Appendix VIII**
Energy Pricing and Taxation Understanding

45 / **Appendix IX**
Canada-Alberta Economic and Regional Development Agreement

50 / **Appendix X**
News Releases

52 / **Appendix XI**
Appearance by the Honourable Mr. Horsman, Before the Committee of Supply, Alberta Legislature

56 / **Appendix XII**
List of Federal-Provincial Programs and Agreements in Effect in Alberta By Department

58 / **Appendix XIII**
International Agreements Involving Alberta By Department

The Department of Federal and Intergovernmental Affairs

The basic objectives of the Department of Federal and Intergovernmental Affairs are to represent Alberta's interests as an equal partner in Confederation and to ensure that all activities of the Government of Alberta in relation to the Government of Canada, governments of other provinces and the territories, and the governments of foreign countries or states are conducted in a co-ordinated and consistent manner. The **Department of Federal and Intergovernmental Affairs Act, 1972,** established the terms of reference for the Minister and the department. The responsibilities outlined in the Act may be summarized as follows:

- co-ordinating the Alberta government's activities in the intergovernmental sphere to ensure that they are consistent with the overall objectives of the Alberta government;
- conducting an ongoing review of the policies, programs, and activities of other governments which may affect Alberta; and
- signing all intergovernmental agreements.

While the administration of programs and, in most cases, the articulation of specific policy positions remains within other departments of the Alberta government, it is the responsibility of Federal and Intergovernmental Affairs to ensure co-ordination, consistency and continuity in government policies when other governments are involved.

Organization and Operation

During the first six months of 1984 the operation of the department was directed by Dr. J. Peter Meekison, the Deputy Minister. On July 1, 1984, Mr. Jim Dinning assumed the position of Deputy Minister.

The operation of the department continued to be divided into four functional divisions: Resources and Economic Development, Social and Cultural Affairs, Research and Planning, and International. As well, there were two support divisions, Administration and Communications, which provide essential services to the department. (See Appendix 1 – Organization Chart).

The department also oversaw the operation of offices in Ottawa and Toronto. The Toronto office, which opened in 1975 primarily to service the province's manpower interests in Eastern Canada, was formally closed on October 1, 1984.

Overview

The 1984-85 reporting period saw a significant improvement in federal-provincial relations. The election of a new federal government committed to improving relations with the provinces resulted in progress on several matters that had been the cause of long-standing federal-provincial tensions. Major agreements were signed in the areas of energy and economic regional development. The Memorandum of Agreement on Annual Conferences of First Ministers signed at the First Ministers' Conference on the Economy in Regina, Saskatchewan, on February 15, 1985, was an important development as it provides for regular discussions among First Ministers on an annual basis.

Resources and Economic Development

The Resources and Economic Development division has responsibility for providing analysis and recommendations in a wide range of intergovernmental issue areas: natural resource ownership and development, energy, agriculture, transportation, economic development, tourism and small business, environment, communications, consumer and corporate affairs, and regional development. The division also maintains close links with the governments of the Yukon and Northwest Territories and is the Alberta government contact with the Department of National Defence.

Over the past year, the division negotiated the Economic and Regional Development Agreement as well as the first year's "Course of Action" under the 10 year agreement. Action taken during the year included a Forest Resource Development Agreement for $23 million, an extension of the Nutritive Processing Agreement, and Memoranda of Understanding for Agriculture Development and for Tourism Development. Discussions continued throughout the year toward reaching agreements for Northern Alberta, Science and Technology, and Transportation.

Negotiations were carried out with the Department of National Defence to assist in identifying suitable lands for a training facility for Canadian Forces Base Calgary. Negotiations also were conducted to gain commercial access to oil sands deposits within the Primrose Lake Air Weapons Range.

The division was involved in discussions to determine the roles and responsibilities of the Government of Canada and the Government of the Northwest Territories in relation to Alberta's primary responsibility for reviewing and approving hydro-electric development on the Slave River within Alberta.

In June, the governments of Alberta, Saskatchewan and Canada agreed in principle to provide financial guarantees to Husky Oil Ltd. to build a heavy oil upgrader near Lloydminster, Saskatchewan. Subsequently, the division was involved in negotiations with the Government of Saskatchewan on the sharing of tax revenues and the free flow of goods and services from Alberta to the upgrader site.

Social and Cultural Affairs

The Social and Cultural Affairs division has responsibility within the department for intergovernmental co-ordination, policy recommendations and negotiations in a wide range of subject areas. These areas include: Native issues, science and technology, justice, access to information, culture, lotteries, hospitals and medical care, social services and community health, youth, housing, public works, municipal affairs, health and safety, education, human rights, status of women, labour, manpower, immigration, and recreation and parks.

The division actively participated in the process of developing a national science policy, initiated by a federal-provincial meeting of Ministers responsible for Science and Technology held on February 5, 1985. The division also continued to play a major role in the ongoing discussions on aboriginal peoples and the Constitution.

During the 1984-85 reporting year, assistance was provided by the division in the negotiation of a major new federal-provincial lottery agreement, which, by March 31, 1985, was close to finalization. Another significant activity of the division during the fiscal year was the co-ordination of provincial input into the Four Mountain Parks Management Plan being developed by Parks Canada.

Research and Planning

The Research and Planning division has responsibility for providing an ongoing assessment of federal-provincial and interprovincial relations and the institutions of federalism. In providing this assessment, the division examines Alberta's position within Confederation and the challenges facing the federal system as a whole. Specific responsibilities include constitutional affairs, federal-provincial fiscal and economic relations, institutions relating to federalism, national unity, and special projects.

The division continued its ongoing assessment of developments in the other provinces of Canada and their potential implications for Alberta. As well, it continued to monitor diverse issue areas such as pension reform, the impact of the new Charter of Rights and Freedoms, regulatory reform, emergency planning legislation, the hearings of the Royal Commission on the Economic Union and Development Prospects for Canada, and the federal Ministerial Task Force on Program Review. Background information and support personnel continued to be provided to the Special Select Committee of the Legislature studying Senate reform.

The division was responsible for co-ordinating briefing materials for the May 6-8, 1984, Western Premiers' Conference; the August 20-22, 1984, Annual Premiers' Conference; the November 13, 1984, First Ministers' Meeting; and the February 14-15, 1985, First Ministers' Conference on the Economy.

International Division

The International division has primary responsibility for monitoring and co-ordinating Alberta's international policies and initiatives; and reviewing, as well as making recommendations, on provincial policies, programs and activities in relation to Canada's foreign policy and those of other countries.

Alberta's present international activities are concentrated in the areas of trade, foreign investment and energy, although there is significant interest in the fields of science and technology, tourism, foreign aid, culture and education. The division is the key link with Alberta's six foreign offices in London, New York, Hong Kong, Tokyo, Los Angeles and Houston. The International division also acts as the chief Alberta government contact with the Department of External Affairs, ensuring that Alberta's input on a wide range of subjects in the international sphere is co-ordinated and timely. The division liaises closely with other Alberta departments, such as Agriculture and Economic Development, which are also active internationally.

The division has the lead responsibility regarding Alberta's three special relationships with provinces in Japan (Hokkaido), China (Heilongjiang) and the Republic of Korea (Kangwon).

Administration

The Administration division is responsible for the provision of general administrative and financial support services for the department including human resource management, finance, library and records management. This includes co-ordination and control of the administrative and financial aspects of all of Alberta's out-of-province offices.

Communications

The Communications division provides public relations counsel and information services to the department, and acts in an advisory and co-ordinating role for out-of-province and foreign offices.

The division produced 'The Asia-Alberta Exchange' newsletter with coverage of Alberta's relationship with its three sister provinces.

Ottawa Office

The Alberta government office in Ottawa monitors the activities of the federal government and provides immediate information on developments affecting Alberta. Close contacts are maintained with federal Cabinet Ministers, Members of Parliament and government officials to ensure that they are informed of Alberta's policies and concerns.

The office reports daily on parliamentary proceedings. Major issues covered during 1984-85 include the Canada Health Act, Senate reform, red meat stabilization plans, and numerous government discussion papers on social, financial and economic policies. The office also was involved in the energy negotiations leading to the signing of the Western Energy Agreement.

Administrative assistance was provided for Alberta's participation in a number of federal-provincial conferences, including the Provincial Health Ministers' Conference chaired by Alberta, and the First Ministers' Conference on aboriginal rights and the economy. The office also participated in making arrangements for official visits to Alberta by diplomats, Members of Parliament, and the Heilongjiang Friendship Delegation from China.

Briefings on provincial policies were provided at the request of diplomats, business people and academics; and information on tourism, employment opportunities and a wide variety of other topics was disseminated to the general public.

Working space and meeting rooms are available for Alberta government officials and business representatives visiting Ottawa. The office is located at 1110 - 90 Sparks Street.

Selected Events

1984

April 26 - 28
Honourable James Horsman represented Alberta in Quebec City at the Fourth Canada/U.S. Legislative Symposium. The symposium was entitled International Trade: The Role of the States and Provinces.

May 6 - 8
Western Premiers' Conference in Kelowna, British Columbia.

May 14 - 15
Americas Society Investment Seminar in New York, attended by Premier Lougheed and Mr. Horsman.

June 8
The new Economic and Regional Development Agreement was signed by the Honourable Sinclair Stevens and Minister Horsman at Government House in Edmonton.

August 20 - 22
25th Annual Premiers' Conference in Charlottetown, Prince Edward Island.

August 24 - September 1
Meetings in Tokyo between the Minister, the Canadian Ambassador and the Japanese Ministry of International Trade and Industry, to discuss Alberta's interests in Japan.

September 3
Mr. Horsman attended ceremonies in Chunchon commemorating the 10th anniversary of affiliation between Alberta and Kangwon, Alberta's sister province in Korea.

September 21 - 27
Vice-Governor Ahn Chee Soon of Kangwon visited Alberta for reciprocal ceremonies celebrating the 10th year of the special relationship between the provinces.

November 13
First Ministers' private meeting on the Economy, Meech Lake.

November 21
The first of three Ministerial meetings on Aboriginal Constitutional Matters convened during the reporting period was held in Toronto.

December 5 - 11
Mr. Horsman attended the Annual Meeting of the Council of State Governments in Los Angeles. He also held meetings with the Board of Directors of the Canada/ California Chamber of Commerce and with officials from the Stanford Research Institute.

December 17 - 18
Ministerial Meeting on Aboriginal Constitutional matters in Ottawa.

Conference Activity

1985

4 *January 7 - 14*

Mr. Horsman held meetings in Minnesota, North Carolina, New York and Washington, D.C. with Canadian Studies university officials and representatives of government and business.

January 20 - 21

Federal-provincial meeting of Ministers of Economic Development in Ottawa.

February 1

Inauguration of Governor Schwinden in Helena, Montana. While in Montana, Mr. Horsman held private meetings with Governor Schwinden and addressed both the House and Senate of the Montana Legislature.

February 14 - 15

First Ministers' Conference on the Economy, Regina, Saskatchewan. A Memorandum of Agreement was signed at the Conference ensuring a Conference of First Ministers would be held on an annual basis.

March 11 - 12

Ministerial Meeting on Aboriginal Constitutional Matters in Toronto.

March 27

Signing of the Energy Pricing and Taxation Understanding between the federal government and the three Western producing provinces.

Intergovernmental conferences have become an important and recognized mechanism for making adjustments within the federal system. The number of federal-provincial and inter-provincial meetings reflects the extent to which the activities of one government affect the activities of the other, and the consequent need for intergovernmental consultation and co-ordination.

In calendar year 1984, Federal and Intergovernmental Affairs continued to participate in many federal-provincial and inter-provincial conferences. The magnitude of the department's participation depends, to a large degree, on the level of the conference, the agenda and the location.

Federal-Provincial Activity

The following tables on federal-provincial meetings and conferences take into account all meetings at the first ministerial, ministerial, and deputy ministerial level in which Alberta was a participant.

Tables I and II present the total number of federal-provincial conferences by level of representation, broken down into a cross-reference of areas of governmental activity. As such, these tables highlight those policy areas which required the most attention in terms of meetings and conferences, and which level of representation was required for consideration of the subject. The tables indicate the vast and complex network of meetings and conferences. The figures represent meetings which were convened in response to a particular concern or situation, as well as those committee meetings which are held on a continuing basis and have become more permanent intergovernmental mechanisms.

The relatively high number of meetings in the "Constitution" category can be attributed, in part, to the intensive schedule of meetings held in preparation for the First Ministers' Conference on Aboriginal Constitutional Matters. Familiarization meetings with the new federal government account for the majority of meetings under the "General Government" category.

Negotiations between Alberta and the federal government with respect to the Agreement to Amend the Energy Agreement constitute the majority of meetings under the category "Energy and Resources".

The "Miscellaneous" category includes meetings in the areas of tourism, culture, emergency planning, public works, and government services.

Table I

Frequency of Federal-Provincial meetings and conferences according to category and area of government activity, Alberta participation, 1984

	Bilateral	Regional	Multilateral	Total
Constitution	1	0	9	10
General Government	6	0	2	8
Finance	2	0	4	6
Agriculture	1	1	3	5
Transportation	1	0	2	3
Education	0	0	1	1
Energy and Resources	4	3	0	7
Environment	1	0	4	5
Manpower-Labour	0	0	4	4
Statistics	0	0	0	0
Welfare	0	0	2	2
Health	1	0	3	4
Industry and Trade	1	0	3	4
Urban Affairs	0	0	1	1
Justice and Laws	0	0	6	6
Consumer Affairs	0	0	2	2
Communications	1	0	0	1
Native Affairs	1	0	0	1
Miscellaneous	2	0	3	5
Total	22	4	49	75

Table II

Frequency of Federal-Provincial meetings and conferences according to level of representation and area of government activity, Alberta participation, 1984

	First Ministerial	Deputy Ministerial	Ministerial	Total
Constitution	1	6	3	10
General Government	1	5	2	8
Finance	0	4	2	6
Agriculture	0	5	0	5
Transportation	0	3	0	3
Education	0	1	0	1
Energy and Resources	0	6	1	7
Environment	0	4	1	5
Manpower-Labour	0	3	1	4
Statistics	0	0	0	0
Welfare	0	1	1	2
Health	0	4	0	4
Industry and Trade	0	4	0	4
Urban Affairs	0	1	0	1
Justice and Laws	0	2	4	6
Consumer Affairs	0	0	2	2
Communications	0	1	0	1
Native Affairs	0	1	0	1
Miscellaneous	0	3	2	5
Total	2	54	19	75

Many of the federal-provincial conferences are served by the Canadian Intergovernmental Conference Secretariat (CICS), a permanent body jointly funded by federal and provincial governments. Services provided by the Secretariat include correspondence with delegates concerning conference arrangements and agenda, preparation of conference transcripts and summary statements, distribution of documents, and the maintenance of records. The Secretariat provides these services for all First Ministers' meetings and is available to provide similar services and facilities for meetings of ministers and deputy ministers.

Interprovincial Activity

Considerable intergovernmental activity takes place among the provinces. Provinces meet to compare policy positions and to discuss matters of mutual concern and interest and those of an interprovincial nature. Sometimes held prior to federal-provincial conferences, participants attempt to reach a unified provincial position. Permanent mechanisms for interprovincial co-operation have been established in some instances. The pinnacle of interprovincial co-operation is the Annual Premiers' Conference. On a regional basis Alberta participates in the Western Premiers' Conference, which is usually held annually.

The following tables break down the various interprovincial meetings and conferences during 1984 into categories similar to those used for federal-provincial meetings.

Table III

Frequency of Interprovincial meetings and conferences according to category and area of government activity, Alberta participation, 1984

	Bilateral	Regional	Multilateral	Total
Constitution	0	3	0	3
General Government	3	4	3	10
Finance	1	0	2	3
Agriculture	0	1	1	2
Transportation	0	0	1	1
Education	0	0	4	4
Energy and Resources	6	0	1	7
Environment	1	2	2	5
Manpower-Labour	0	0	2	2
Statistics	0	0	0	0
Welfare	0	0	3	3
Health	0	0	4	4
Industry and Trade	0	0	3	3
Urban Affairs	0	0	3	3
Justice and Laws	0	0	1	1
Consumer Affairs	0	0	2	2
Communications	0	0	1	1
Native Affair	1	0	0	1
Miscellaneous	0	1	5	6
Total	12	11	38	61

Table IV

Frequency of Interprovincial meetings and conferences according to level of representation and area of government activity, Alberta participation, 1984

	First Ministerial	Ministerial	Deputy Ministerial	Total
Constitution	0	1	2	3
General Government	4	0	6	10
Finance	0	3	0	3
Agriculture	0	2	0	2
Transportation	0	1	0	1
Education	0	2	2	4
Energy and Resources	0	3	4	7
Environment	0	2	3	5
Manpower-Labour	0	1	1	2
Statistics	0	0	0	0
Welfare	0	1	2	3
Health	0	4	0	4
Industry and Trade	0	2	1	3
Urban Affairs	0	2	1	3
Justice and Laws	0	1	0	1
Consumer Affairs	0	1	1	2
Communications	0	1	0	1
Native Affairs	0	1	0	1
Miscellaneous	0	5	1	6
Total	4	33	24	61

Conferences of Provincial Premiers

Provincial Premiers have been meeting on a multilateral basis since 1960. These interprovincial meetings are important features of the Canadian intergovernmental process, providing Premiers with the opportunity to study and discuss candidly issues of mutual concern and interest. Alberta is an active participant in both the Annual Premiers' Conference and the Western Premiers' Conference.

Annual Premiers' Conference

The 25th Annual Premiers' Conference was held in Charlottetown, Prince Edward Island, August 20-22, 1984. The focus of the Conference was "Priorities For The Future" and the following agenda items were discussed:

1 The Economy
2 Federal-Provincial Relations
3 Interprovincial Cooperation and Other Issues
4 Reform of National Institutions

The Premiers issued a resolution on federal-provincial co-operation and a communiqué on the economy (see Appendix II). The resolution, passed unanimously by the Premiers, called on the Prime Minister to convene a First Ministers' meeting prior to the next federal budget for the purpose of setting priorities to ensure Canada's sustained economic recovery. The communiqué on the economy outlined elements of an integral strategy for sustained economic growth and stressed the need for a new federal-provincial approach to economic development.

Western Premiers' Conference

The 1984 Western Premiers' Conference was held in Kelowna, British Columbia, May 7-8. The four Western Premiers focussed their discussions on the following agenda items:

1 State of the Economy
2 Economic Development
3 Federal-Provincial Relations

The Premiers released three communiqués, dealing with international trade, transportation, and economic development and growth (see Appendix III).

The Premiers, noting that expanded trade is necessary for sustained economic recovery, agreed on new directions for Canada to take in the area of international trade. They stressed trade liberalization as a priority, particularly in agricultural products and in processed resource products. They also called upon the federal government to ensure full provincial involvement in the development of Canadian policies, priorities and strategies related to trade.

In the transportation communiqué, the Premiers urged that the full expansion of rail capacity proceed according to previously announced plans and expressed concern about the rate structure for grain shipments. They also commented on elevator tariffs, ports, container traffic, petrochemical facilities, passenger services, interprovincial trucking and air transportation.

In their communiqué on economic development, the Premiers expressed strong continuing support for the small business sector and urged that Canadian interest rates be sensitive to economic conditions in Canada. They also reiterated their commitment to controlling and reducing their deficits. Premiers indicated that special priority should be given to training programs relating to international trade, and directed ministers responsible for manpower to jointly develop mechanisms for greater co-operation in developing educational and training opportunities relevant to the job market of the future. The Western Premiers also commented on public sector compensation, the need for greater industrial incentives, and regional economic development programs.

Private Meeting of First Ministers, November 13, 1984

The first meeting among the eleven ministers following the election of the new federal government was a private luncheon meeting at Meech Lake on November 13. The meeting established the key element of the broad national program required to achieve the goal of economic renewal in Canada – federal-provincial co-operation. The meeting also provided the provinces with an opportunity to question the federal government on its economic and fiscal statement and accompanying paper, A New Direction For Canada: An Agenda for Economic Renewal released on November 8. The Agenda for Economic Renewal was put forward by the federal government as the basic agenda for federal-provincial co-operation over the coming months.

First Ministers agreed to hold a First Ministers' Conference in Regina in mid-February and on the broad outlines of an agenda for that conference.

Regina First Ministers' Conference, February 14-15, 1985

The February 14-15, 1985, First Ministers' Conference on the Economy marked the real beginning of renewed federal-provincial co-operation. As Premier Lougheed noted at the Regina Conference, "Confederation is working". (See Appendix IV.)

In pursuit of closer co-ordination and co-operation among governments, First Ministers signed a memorandum of Agreement (Appendix V) establishing an Annual Conference of First Ministers, to be held each autumn, in order to:

a) review the state of federal-provincial relations;
b) consult on major issues that concern both orders of government, in particular, the state of the economy;
c) consider broad objectives for governments in Canada; and
d) exchange information to facilitate planning for the operations of their governments.

For many years the Government of Alberta had called for an annual First Ministers' Conference.

Significant progress was made on each of the four agenda items: Investment, Job Training, Regional Development and International Trade. Under "Investment", First Ministers noted the important role of investment in contributing to economic growth and jobs, and made several points:

- continuing high interest rates impede investment and impose burdens on Canadians;
- the small business sector creates most new jobs and government should provide the environment for greater activity in this sector;
- research and development must be encouraged to improve competitiveness;
- equity financing measures should be encouraged through tax incentives; and
- new energy investment creates jobs in all regions.

First Ministers endorsed a number of principles for training and job creation identified previously by the Ministers responsible for Manpower Training:

- training and job creation efforts must emphasize the needs of small business;
- job creation and training programs must be flexible and responsive to provincial and local requirements;
- training is a shared responsibility between governments, the private sector and individual Canadians;
- all programs must provide equality of access; and
- programs must be designed in such a way that they will not duplicate other programs.

The federal government also announced a $900 million commitment to support job initiatives which would be harmonized to the needs of individual provinces.

Nine principles were endorsed under the agenda item "Regional Development". These principles underlined a new commitment to federal-provincial co-operation in regional economic development, within a broader theme of balancing economic efficiency with equitable development of all regions based on realistic opportunities. Regional Development Ministers were directed to develop these principles further and to review existing regional development programs. The following is a list of the nine principles:

1 The federal and provincial governments view regional economic development as a high priority among national and provincial economic goals.

2 The overall objective of regional development is to improve employment and income through sustainable economic activity based on realistic opportunities in each region.

3 Initiatives should be developed through consultation and discussion to assist Canadians in the less developed regions to achieve greater economic security based on economic opportunity.

4 Closer federal-provincial co-operation should be achieved by harmonizing all regional economic development efforts.

5 All major national policies should be judged, in part, in terms of their regional impact. And, so far as possible, those policies should reinforce the goal of fair and balanced regional development.

6 Particular emphasis by governments should be given to improving the investment climate, to removing the impediments to growth, and to creating opportunities for the private sector to contribute to maximum economic growth in all parts of Canada.

7 Continuing consultation with the private sector should focus on policies in areas such as innovation, export marketing, productivity and training with the overall purpose of developing concerted strategies for growth and adjustment.

8 Government should explore opportunities for increasing inter-regional trade and eliminating barriers between provinces.

9 Transportation is recognized as a key to regional economic development.

Under "International Trade", Premier Lougheed tabled an Alberta government paper entitled Free Trade with the United States: An Alberta Perspective (see Appendix VI). The paper strongly urged the adoption of a Canada-United States free trade arrangement, noting that the payoff would be in substantial new job opportunities. The need to maintain access to United States markets, the opportunity to expand and pursue new markets, and the need to provide a dramatic push for the growth of the Canadian economy were cited as reasons for Canada to take bold action to develop a free trade arrangement.

First Ministers discussed building a national trade strategy based on improving market access, competitive adjustment and effective international marketing. The role of exports in creating jobs and improving Canada's economic performance was also discussed, and the Prime Minister agreed to pursue a liberalized approach to free trade with the United States.

First Ministers agreed that Canada should play a leading role in encouraging an early start to the next round of negotiations on the General Agreement on Tariffs and Trade. A successful result from these talks would lead to freer multilateral trade and broader access to world markets.

Aboriginal Constitutional Matters

Attention at the national level focused upon preparation for the First Ministers' Conference on Aboriginal Matters, which was to convene on April 2-3, 1985. The Honourable James D. Horsman, Minister of Federal and Intergovernmental Affairs, and the Honourable Milt Pahl, Minister Responsible for Native Affairs, represented the Government of Alberta at three meetings in the preparatory process, on November 21, 1984, December 17-18, 1984, and on March 11-12, 1985. These meetings were attended by federal and provincial ministers, elected representatives from Yukon and Northwest Territories and representatives from four national aboriginal groups: Assembly of First Nations, Inuit Committee on National Issues, Native Council of Canada, and Metis National Council. Officials' meetings were also convened to prepare for the ministerial meeting.

Aboriginal self-government was the main item in discussions leading to the April 2-3, 1985, First Ministers' Conference. Other matters addressed in the preparatory process included aboriginal sexual equality, the nature of the work to be undertaken after the 1985 First Ministers' Conference and the agenda for the 1985 Conference.

Senate Reform

There was much public attention and intergovernmental consideration given to reform of the Senate. The basis for this renewed national attention was largely attributed to the decision of the Liberal-dominated Senate to delay passage of **Bill C-11, An Act to Provide Borrowing Authority**. This Bill was passed by an all-party agreement in the House of Commons shortly before Christmas. The Liberal Senators, however, refused to give the Bill speedy passage as requested by the federal Minister of Finance. They argued that approval for government borrowing for a future fiscal year before spending plans had been announced violated a traditional parliamentary principle. The Senate eventually passed the Bill, without amendment, on February 27, one day after the 1985-86 Main Estimates were tabled. The federal government argued that this delay had cost the taxpayers millions of dollars as alternative and more costly ways of raising funds had to be used.

The federal government then considered measures which would prevent the Senate from blocking legislation passed by the elected House of Commons. On March 8, federal and provincial officials met in Ottawa to receive an initial version of a proposed constitutional amendment to limit the powers of the Senate. On March 21, the Honourable James Horsman wrote the federal Minister of Justice, the Honourable John Crosbie, regarding the proposed constitutional resolution. In that letter, Mr. Horsman informed Mr. Crosbie of Alberta's support in principle for the proposed constitutional amendment, but stated that "this limited initiative should not be viewed as a final step in reforming the Senate". Mr. Horsman also requested that there be a joint federal-provincial commitment to meaningful discussions covering a full range of topics associated with comprehensive reform of the Senate. Finally, Mr. Horsman requested that the proposed resolution not be introduced until First Ministers had an opportunity to discuss Senate reform.

Prime Minister Mulroney subsequently wrote all Premiers on March 26 to provide them with a copy of the proposed constitutional resolution limiting the powers of the Senate. The proposed amendment would give the Senate 30 days to consider money bills and 45 days to consider all other bills. If the Senate did not pass the Common's bills within those time periods, the bills would be presented automatically for Royal Assent, unless the Commons directed otherwise. An important aspect of the proposed resolution, from Alberta's perspective, was the commitment in the preamble of the proposed resolution to hold a First Ministers' Conference on the Senate before the end of 1987. In preparation for that First Ministers' Conference, the Prime Minister proposed in his letter that the Minister of Justice establish a Continuing Committee of Ministers on Senate Reform soon after proclamation of the amendment. He also suggested that First Ministers review the matter of the constitutional resolution at their breakfast meeting of April 4. (See Appendix VII for exchange of correspondence.) At the end of the reporting period, neither the federal government nor any province had introduced the resolution in their legislature.

On March 22, the Select Special Committee of the Legislature on Senate Reform, chaired by Mr. Dennis Anderson, MLA Calgary-Currie, tabled its report, Strengthening Canada: Reform of Canada's Senate. The Committee, established on November 23, 1983, recommended that the Senate be directly elected, that each province be represented by an equal number of Senators and that the Senate have an effective role in the federal legislative process in keeping with its original purpose of regional representation. The Committee specifically noted, however, that the Senate should not become a forum for intergovernmental negotiations. This functions would continue to be fulfilled by existing mechanisms such as regular First Ministers' Conferences.

Briefing and technical assistance to the Committee was provided by Federal and Intergovernmental Affairs.

Energy

Energy matters were of major significance during the reporting period. On March 27, 1985, the Energy Pricing and Taxation Understanding was signed between the federal government and the three Western producing provinces, effectively ending more than four years of federal-provincial conflict over energy pricing and taxation matters. (See Appendix VIII.)

The basis of the conflict was the National Energy Program (NEP) which was unilaterally initiated by the former federal government on October 30, 1980. The NEP, which was described by Premier Lougheed as "an outright attempt to take over the resources of this province", attempted to set oil prices unilaterally and below market value as well as imposing a number of burdensome and discriminatory taxes on the energy sector. These had the immediate effect of discouraging investment in exploration and development, particularly in the Western Sedimentary Basin.

While the 1981 Energy Pricing and Taxation Agreement had restored the province's management and control over crude oil and natural gas resources and moved prices somewhat closer to world levels, a number of discriminatory taxation and incentive policies had remained.

During 1984, additional interim agreements and changes to federal energy regulations were negotiated with Alberta and other producing provinces which permitted more flexible and competitive pricing of oil and gas, particularly in the export market. These included:

- the agreement between Alberta and the federal government to a Gas Market Incentive Plan designed to increase gas sales through discounts to large industrial users east of Alberta;
- changes to the federal government gas export pricing regulations to permit exporters to directly negotiate gas export prices;
- changes to the crude oil export charges to permit Canadian oil exporters to meet competition in the U.S. market.

The new federal government, elected in the fall of 1984, was committed to ending many aspects of the National Energy Program. Following the election, negotiations began between the three Western producing provinces and the federal government to replace the amended 1981 Energy Pricing and Taxation Agreement due to expire at the end of 1984. Two agreements in October 1984 and January 1985 extended existing fiscal and pricing arrangements until March 31, 1985 in order to facilitate negotiations.

Negotiations with the federal government were guided by three principles on the part of the Western producing provinces:

1 To ensure market value for depleting and non-renewable oil and gas resources.

2 To end discrimination against the energy industry and ensure that the industry receives the same treatment for taxation purposes as other industries.

3 To ensure that incentives schemes to encourage exploration and development of oil and gas resources will not discriminate on the basis of geography and location.

The agreement announced on March 27 between the three Western provinces and the federal government embodied all of these principles, providing an atmosphere to stimulate investment and job creation in the energy sector with a national impact.

The agreement reversed the most negative aspects of earlier federal energy policy. More specifically, under the Agreement, Alberta is to receive full market value for its oil. In addition, the system of discriminatory Petroleum Incentive Payments (PIP), which had had negative consequences for energy investment in Western Canada, was to end. The agreement also removed a number of federal energy taxes, which had been a major burden on the energy industry and had challenged the province's rights as owner of the resources.

The agreement provided for the deregulation of world oil prices by June 1, 1985 and a freezing of the Alberta Border Price for gas pending the adoption of a more flexible, market oriented gas pricing system by November 1, 1985. Through the phased removal of the Petroleum and Gas Revenue tax and the termination of the PIP grants by April 1, 1986, the agreement committed the federal government to the principle that any tax incentives to encourage energy exploration and development will not discriminate on the basis of company ownership or geographic location in Canada. It also further deregulated the exports of both light and heavy crude oil and ensured that the net benefits of federal tax changes and decontrol of crude oil prices flow through to the industry.

The signing of this agreement was of major economic importance to Alberta and, indeed, to Canada as a whole. It also represented a significant change in Alberta-Canada relations which had been marked in recent years by acrimony and conflict.

Economic and Regional Development Agreement

Federal and Intergovernmental Affairs was charged with the responsibility for negotiating a replacement agreement to the 1974 General Development Agreement (GDA) between the Government of Alberta and the Government of Canada. The new agreement, the Economic and Regional Development Agreement, was signed June 8, 1984, by the federal Minister of State for Economic and Regional Development and the Alberta Minister of Federal and Intergovernmental Affairs. (See Appendix IX.)

The Agreement established a means for achieving greater federal-provincial co-operation and coordination in realizing the economic and regional development potential of the Province of Alberta.

The objectives of the Agreement are:

1 To promote joint planning and joint action between Canada and Alberta in pursuing the economic and regional development objectives and priorities of the Province which are stated as follows:
a) to foster an environment whereby the Province can realize its economic potential by capitalizing on its strengths;
b) to promote balanced development among the regions of the Province and the equitable distribution of the benefits of such developments;
c) to lead to continued diversification of the provincial economy.

2 To promote joint planning and joint action in those areas where it would be advantageous:
a) to tailor federal programs and policies in line with the development opportunities and priorities of the Province;
b) to create mutually supportive and reinforcing development activities;
c) to strengthen multi-departmental coordination within and between the two governments;
d) to reduce duplication and unnecessary regulation.

The Agreement is designed to facilitate co-operative federalism in economic and regional development matters. In order to support increased intergovernmental co-ordination and co-operation, the 10-year Agreement contains a number of features: an annual meeting of Ministers, an annual joint Course of Action, and instruments in the form of Memoranda of Understanding and Subsidiary Agreements. The annual meeting of Ministers allows for a review of provincial economic development priorities and a review of federal and provincial activities in relation to provincial priorities. The Course of Action provides a workplan for officials, and the instruments enable more co-operative planning and programming between individual departments of the two governments.

Federal-Provincial Programs and Activities

In accordance with the responsibilities assigned by the **Department of Federal and Intergovernmental Affairs Act, 1972**, the department continues to monitor existing intergovernmental programs and activities and participates in negotiations leading to the signing of new or revised agreements. (See Appendix XII for a list of federal-provincial agreements in effect in Alberta as of March 31, 1985.)

Generally speaking, certain intergovernmental agreements are designed to avoid duplication of services or programs. Other agreements have facilitated the flow and exchange of information and expertise. Still others have helped to balance fiscal capabilities across the country. Some agreements apply uniformly across the country while others vary in their application from province to province. In some instances, agreements are executed on a bilateral basis between a particular province and the federal government, adding a measure of flexibility and enabling individual provinces to respond better to their own needs and interests. The variations in the purpose, terms and application of federal-provincial agreements reflect the complexity of Canada's federal system and the diverse nature of this country.

Federal and Intergovernmental Affairs is involved with other Alberta departments in the negotiation of all federal-provincial agreements. During the review process, the department ascertains whether the agreement is consistent with the province's intergovernmental priorities.

New Federal-Provincial Agreements

In 1984-85, agreements were signed by Alberta in the following areas:

Young Offenders

Two new agreements were concluded during the 1984-85 fiscal year pursuant to the **Young Offenders Act**. The Young Offenders Legal Aid Agreement provides for federal-provincial sharing of costs associated with legal aid for young persons. This one-year term agreement can be extended to the 1985-86 fiscal year pending the negotiation of a successor agreement.

The **Young Offenders Act** contains a number of new provisions related to the records of young offenders. Canada and Alberta signed an agreement related to the Young Offenders Act Systems Development. It provides for a federal contribution towards the cost of a provincial study into the feasibility of developing a **Young Offenders Act** records management system. The study is to be completed during the 1985-86 fiscal year.

Livestock

In response to the severe drought conditions of 1984, Canada and the prairie provinces entered into a Livestock Drought Assistance Agreement in October 1984. The $60 million Agreement (50:50 cost-shared) provides assistance to prairie producers to enable them to maintain livestock herd levels. The Alberta program is expected to total some $30 million by the termination of the Agreement in March 1986.

Agriculture and Food Development

At the June 8, 1984 Economic and Regional Development Ministers' meeting, Canada and Alberta entered into a Memorandum of Understanding. The two governments committed to jointly develop subsidiary agreements during the year in the following priority areas: soil and on-farm water conservation; crop and livestock production; and technology transfers.

Tourism

On June 8, 1984, Canada and Alberta signed a Memorandum of Understanding on Tourism Development. The agreed objective was to develop a subsidiary agreement to address immediate tourism development needs by December 31, 1985. The priority areas were infrastructure requirements in the Rocky Mountain National Parks, tourism product development assistance, marketing enhancement and hospitality training needs.

Forestry

The Canada/Alberta Forest Resource Development Agreement was signed on October 26, 1984. The five year, $23 million Agreement is cost-shared equally by Canada and Alberta and provides support for reforestation and for applied research on forest products development.

Alberta's International Offices

To pursue its international objectives, the Government of Alberta maintains offices in London, Hong Kong, Tokyo and New York, each of which is headed by an Agent General. The Los Angeles and Houston offices are administered by the department, but are headed by directors appointed by the Department of Economic Development. The activities of Alberta's foreign offices are focussed primarily in the areas of trade, investment, energy, agriculture, tourism, culture, education, immigration, science and technology, intergovernmental relations and information gathering.

Although the specific mandates of Alberta's foreign offices differ and are constantly evolving, there are a number of functions and responsibilities generally undertaken to varying degrees by all offices, including:

- promoting the exports of Alberta goods and services through monitoring of trends and policies, identification of market opportunities, and arrangements for Alberta participation in trade shows, missions, and other promotional activities;
- monitoring capital markets, promoting a positive image towards Canada and Alberta on the part of foreign investors, and directing investment in Alberta;
- maintaining close contact with Canadian embassies or posts and other information sources to monitor developments in the region;
- promoting tourism to Alberta;
- disseminating information gathered to relevant Alberta departments;
- generating contacts and promoting an increased Alberta presence and profile;
- assisting in the promotion of Alberta's cultural activities;
- identifying and directing entrepreneurial immigration to Alberta;
- assisting in the pursuit of Alberta manpower recruitment objectives; and
- providing office space, clerical and other support services to Alberta industry and government representatives.

During 1984-85, an interdepartmental working group chaired by Federal and Intergovernmental Affairs reviewed the role and functions of Alberta's foreign offices. It found that the offices are serving a useful purpose in furthering the province's international objectives and made recommendations for further enhancing their effectiveness through organizational and administrative changes.

In June of 1984, the annual meeting of Agents General was held in Edmonton and Calgary. Besides meeting with a wide variety of ministers and department officials, the four Agents General also held public sessions with a cross-section of representatives of the Alberta business community, including industry organizations and federations, financial organizations, chambers of commerce, city governments and major exporters. These sessions permitted the Agents General to outline developments and prospects in their region and to answer questions from the business community.

London

In addition to the Agent General, the staff at Alberta House includes senior representatives of the Departments of Economic Development, Tourism and Small Business, Manpower, and Federal and Intergovernmental Affairs. They are responsible for representing Alberta's interests in the United Kingdom and Europe. Their duties include the maintenance of close relations with the Canadian High Commission in London and embassies in Europe, other provincial offices, British and European businessmen and government officials.

Throughout 1984-85 Alberta House continued to monitor the situation in regard to world energy prices. Efforts in this area involved the maintenance of ongoing contact with both industry and government representatives in London and the offices of OPEC in Vienna.

The London office also continued to be active during the past year in the promotion of a positive investment attitude towards Canada and Alberta on the part of investors in Great Britain and other countries in Europe. Alberta House participated in seminars organized by the private sector in Europe and worked closely with British and other European companies with a particular interest in Alberta. Officials of the London office also continued their regular monitoring of the capital markets throughout Europe.

Alberta House, as in other years, played an important role throughout 1984-85 in promoting the export of a large variety of Alberta goods and services to European markets. Representatives for the London office attended many trade and agricultural fairs, including the Stavanger Oil Show and the 1984 Hanover Trade Fair.

The office worked closely with a number of Alberta companies, assisting them in identifying potential clients in the United Kingdom and Europe. Extensive market research was conducted by the office for Alberta businesses. The expansion of the sale of Alberta beef was a particular focus of Alberta House.

During the reporting period, Alberta House assisted, as in past years, with the promotion of tourism. A major tourism promotion effort was organized by the office in November 1984. An estimated 130,000 people travelled to Alberta from Europe during 1984-85. Work was begun specifically on publicizing the 1988 Calgary Olympics, as the London office will have a major role in promoting this event in Europe.

Various art exhibitions were also held at Alberta House during 1984-85, providing exposure to Europe for Alberta artists. Similarly, performing artists from Alberta were assured an important audience in London through targetting invitations at the media, critics and other experts involved in the cultural scene. Through receptions and other hospitality offered by Alberta House, artists were also provided with the opportunity to make further contacts in Britain and to discuss their performance and their objectives. Two particular exhibitions which Alberta House was involved with were the exhibition of bronze sculptures of Harry O'Hanlon and the display of metal sculptures by Peter Hide.

The office also played an important role in 1984-85 in the organization of the visit to Europe of Premier Lougheed and visits by other Alberta ministers and senior officials.

Alberta House facilities continued to be available throughout the year for Alberta companies doing business in Europe and to national and international organizations with Alberta membership.

Tokyo

Alberta's office in Tokyo, established in 1970, is responsible for representing Alberta's interests in Japan and Korea. Principal activities are related to the areas of trade, culture, education and sports. It plays an important role in the activities with Alberta's sister provinces of Hokkaido in Japan and Kangwon in Korea.

During the fiscal year several major initiatives were taken in conjunction with Alberta departments and the private sector. These included:

- Forestry products seminars in both Tokyo and Seoul in June which were followed by several missions to pursue identified opportunities;
- An oil and gas technology seminar with follow-up missions;
- Alberta Heritage Medical Research Foundation mission to initiate medical exchanges;
- Participation in several special promotions of imported food products where Alberta beef and cheese were featured;
- An investment seminar with 150 top Japanese businessmen;
- Promotion of Tourism, and 1988 Calgary Olympics;
- Cultural exchanges including several displays of Art works by Alberta artists; and
- Participation in the Canadian pavilion at Science Expo.

The office also assisted in arranging itineraries for Alberta ministers, officials and private sector representatives and carried out research on various projects in an effort to identify new markets for Alberta products.

Hong Kong

The Alberta office in Hong Kong completed its fourth full year of operation in March 1985. As Alberta's principal office in Asia, it is responsible for pursuing market opportunities in the region and advising the Alberta government of trade, agricultural, economic, technological and cultural developments in the Asian Pacific Rim. The office has been engaged in generating a large number of useful contacts and laying the groundwork for an increased Alberta presence in the region. It has been particularly active in promoting trade and investment opportunities in Alberta's agricultural, energy, and high-technology sectors. Small business counselling for directing entrepreneurial investment to Alberta was an especially important area of activity for the office in 1984-85. The office has also been involved in further developing the special relationship between Alberta and the Chinese province of Heilongjiang.

Several important initiatives were undertaken by the Hong Kong office during the past fiscal year. The office participated in a number of major trade shows such as the Canada Expo '84 show in Hong Kong. A mini food show at which Alberta companies were able to introduce their food products to the Hong Kong market was organized by the office. The office assisted in major sales of Alberta meat products, oil and gas equipment and other Alberta products into the Hong Kong and Chinese markets.

Office staff were regularly involved in investment seminars in China and provided business counselling to a number of Alberta based companies and individuals. Several hundred entrepreneurial investment inquiries were handled by the office in 1984-85.

New York

In its second year of operation, the New York office continued in its mandate of monitoring, assessing and reporting on energy, economics and trade developments in the U.S. with an impact on Alberta. The Agent General and the Director of U.S. Affairs established contacts in the New York investment community, as well as travelling to Washington, D.C. on a regular basis to meet with Congressional and Administration representatives and to monitor political developments of interest to Alberta. Of particular concern to the province was legislation respecting energy and trade.

One of the most important activities in this fiscal year was the staging of an investment seminar in May. Over one hundred investment analysts, journalists, and academics attended the one day event that was organized in conjunction with the Canadian Affairs program of the Center for Inter-American Relations in New York. A number of noted speakers discussed recent political developments in western Canada and the benefits of investing in energy developments in Alberta. Premier Lougheed gave the luncheon address.

Houston

The Houston office promoted Alberta's interests in this major energy center. Besides promoting trade, the office focused on industrial and investment promotion. Changes to Canadian energy policy and the decline in value of the Canadian dollar enhanced Alberta's appeal to U.S. investors. Several inquiries about establishing operations in Alberta were received from major independent exploration and production companies headquartered in Texas.

Los Angeles

The Los Angeles office provided assistance to Alberta business people entering the California market, encouraged U.S. investment in the province, and promoted joint ventures between Alberta and U.S. companies. In addition, the office monitored energy developments in California and distributed tourism material on behalf of Alberta Tourism and Small Business.

Along with providing assistance to the private sector, the office co-ordinated visits to Los Angeles by the Honourable James Horsman and the Honourable Lou Hyndman, Provincial Treasurer. The Director of the Los Angeles office also represented the province at business conferences, seminars and trade shows.

With the office's assistance, three California companies established plants/offices in Alberta and five Alberta companies established sales offices in California.

International Visitors to Alberta

Foreign governments and businesses continued to be interested in Alberta's trade and investment and technology exchange opportunities in 1984-85. Notable among these visits were large delegations, such as the Mission led by Vice-Governor Ahn of the Republic of Korea, which toured the mountains, southern Alberta cattle ranches, and Calgary and Edmonton; the Heilongjiang Science and Technology Delegation from the People's Republic of China, which toured high technology facilities, research institutes and the University of Alberta; and the Heilongjiang Friendship Delegation led by Mr. Li Li'an, People's Republic of China, whose visit coincided with the "Great Trade Show of China" held in Edmonton.

Other important visitors included Pope John Paul II; the Swedish Energy Minister, Mrs. Birgitta Dahl; a senatorial delegation from France; as well as a delegation from the German Bundestag. Ambassadors and High Commissioners from countries such as Italy, the United Kingdom, the Netherlands, Yugoslavia, Austria, Norway, Trinidad and Tobago and Mexico also visited Alberta throughout 1984-85.

Table V
International Visitors

	1984-85	1983-84	1982-83
Familiarization Tours			
• Foreign Diplomat	37	44	31
• Canadian Diplomats	17	31	35
• Media	15	26	31
Trade and Investment	120	103	89
Energy	45	34	54
Agriculture	27	56	66
Culture and Education	23	29	44
Science and Technology	10	–	–
Other	33	45	46
Total	327	368	396

Table VI

International visitors (country of origin)

Country	1984-85	1983-84	1982-83
People's Republic of China	35	33	18
United States of America	35	52	35
Japan	33	55	63
United Kingdom	18	17	24
Australia	14	13	18
Union of Soviet Socialist Republics	11	9	6
Federal Republic of Germany	10	26	31
Republic of Korea	9	10	10
France	9	11	11
Malaysia	8	5	3
Indonesia	8	3	2
Thailand	7	3	2
Hong Kong	7	5	2
Peru	6	8	2
Israel	6	6	1
Finland	6	5	1
Norway	5	1	9
Venezuela	4	6	4
Singapore	4	4	1
Pakistan	4	3	3
Switzerland	4	2	4
New Zealand	4	1	4
Yugoslavia	4	-	-
Belgium	4	-	-
Bolivia	4	-	-
Mexico	3	8	10
Sweden	3	6	4
Hungary	3	4	4
Argentina	3	3	4
Netherlands	3	2	7
Colombia	3	-	-
European Communities	2	2	-
Brazil	2	3	4
German Democratic Republic	2	2	-
Morocco	2	3	1
Austria	2	-	5
India	1	4	6
Equador	1	2	3
Saudi Arabia	-	3	5
Egypt	-	3	1
Other	42	45	77
Total	331	368	385

The United States

As Alberta's major trading partner, the United States continues to represent the major focus for Alberta's international relations. In 1984, three-quarters of all Alberta exports went to the United States, generating over $9 billion for the provincial economy. While natural gas and crude petroleum represent more than two-thirds of the exports, Alberta also sells substantial volumes of lumber, fertilizer, beef, feed grains, and oil and gas equipment.

As a complement to the trade promotion activities of other departments, Federal and Intergovernmental Affairs continued in 1984 to monitor United States policy developments closely. Particular attention was paid to the energy and agriculture sectors, as well as to trade developments in general. During the year, the trend towards protectionism became particularly strong in the United States. With Congress and the Administration considering a number of measures that would reduce imports into the country, Alberta directed its efforts towards protecting its existing markets, as well as continuing to develop new markets.

Among the sectors particularly affected by trade restrictive measures in the United States were Alberta's hog and pork industries. This sector faced a strong push for import-restrictive action by U.S. producers who claimed that Canadian experts were subsidized.

Producers of softwood lumber in Canada faced a similar threat. U.S. producers charged that Canadian exports are subsidized and sought trade restrictive action. Throughout 1984-85 pressure increased in the United States for action by either the Administration or Congress that would reduce the import of Canadian softwood lumber.

In contrast to many other sectors threatened by protectionist actions in the United States, the energy sector experienced a marked improvement in exports. Changes to Canadian natural gas export pricing policies made in 1984 increased the price competitiveness of Alberta producers in the U.S. market. In the first few months after the policy came into effect on November 1, 1984, gas export volumes rose by 26%. Since the new policy moved Canada closer to a market-oriented system, it also removed pressures in the United States aimed at passing legislation to restrict imports of high-priced Canadian gas covered by long-term contracts.

Alberta exports of crude oil also increased substantially in 1984 because of an easing of export restrictions and an increase in demand for heavy crude to supply the U.S. road building program. Volumes were 30% higher than the year before and forecast to increase even more throughout 1985.

During 1984-85, Federal and Intergovernmental Affairs worked with the line departments on these and other developments affecting Alberta's interests in the United States. The gathering of information and the maintenance of key contacts among U.S. decision makers are important functions performed by the department. Towards this end, Mr. Horsman undertook a number of visits to the United States including visits in 1984 to Illinois and California, two of Alberta's major markets for energy products. In early 1985 he also visited Minneapolis, North Carolina, Washington, and New York. During these visits the Minister held discussions with key state legislators, addressed Canadian Studies groups at several leading universities and met with the business community to promote interest in Alberta.

The department also worked with the New York office and the Americas Society in the organization of an investment seminar in May 1984. The purpose of the seminar was to reassure the New York financial and energy community that western Canada welcomed foreign investment despite the excesses of the National Energy Program. Noted speakers included Roy Romanow, Roy McMurtry, and former U.S. Energy Secretary James Schlesinger. The presentations focussed on key economic and political views in western Canada such as Alberta's role in Confederation, the investment climate in the province and factors affecting Canada/U.S. natural gas trade. Over 100 investment analysts, business people, journalists, and academics attended the one day event.

Another initiative pursued vigorously by Mr. Horsman in 1984-85 was the expansion of contacts at the province-to-state level, with particular emphasis on the western states. Such contacts are useful as some state policies can affect trade and investment with the province. Also, state politicians wield considerable influence at the federal level. In October 1984, Mr. Horsman went to Tacoma, Washington along with the Honourable LeRoy Fjordbotten, Minister of Agriculture, to attend the Pacific Northwest World Trade Expo and discuss international trade with western governors. In December 1984, he attended the annual meeting of the Council of State Governments in Los Angeles. He has also assumed a lead role in organizing Canadian participation in the Canada/U.S.A. Legislative Project, which brings together state and provincial legislators to discuss issues of mutual interest to the two countries.

Federal and Intergovernmental Affairs also helped to organize the participation of a number of members of the Alberta legislature in state-level meetings, including the Midwestern Governors' Conference. In addition, the department provided staff support for meetings that took place between Alberta and Montana legislators to discuss agricultural issues.

The Asia-Pacific Region

The nations of the Asia-Pacific region comprise almost half the world's population, and the further development of commercial and other relations with that region represents an important focus for Alberta's international interests. Major export opportunities are being pursued in the energy (coal, oil and gas-related equipment, technology and services), agriculture (farm machinery and technology, breeding stock, forage seeds, canola and fertilizers), and petrochemical sectors.

Japan remains Alberta's second largest trading partner, after the United States. Major Alberta exports to Japan this year included canola and foodstuffs, coal, grains, and energy products. The province is actively seeking to increase exports of these products as well as of manufactured goods, such as forestry products and petrochemicals. The Working Group on Resource Processing, a subcommittee of the Canada-Japan Joint Economic Committee, met in Edmonton in September 1984. This was the first meeting of its kind held outside Ottawa or Tokyo, and the focus on petrochemicals offered the opportunity to showcase Alberta's world class petrochemical industry to the Japanese. An investment mission to Japan headed by the Provincial Treasurer Honourable Lou Hyndman and the Minister of Energy and Natural Resources, the Honourable John Zaozirny, in February 1985, was highlighted by a successful investment seminar held in Tokyo. Over one hundred and fifty leaders of Japanese business and government were encouraged to pursue business opportunities in Alberta.

A key aspect of Alberta's relations with Japan is the long-standing sister province affiliation between Alberta and Hokkaido. 1984-85 was an especially active year, with over 60 visits, exchanges and activities taking place across a wide variety of areas. This year saw particularly exciting activity in the areas of cold weather and pharmaceutical research, medical exchange, and education.

Grain remains Alberta's largest export to China, our fourth largest trading partner. Recent moves towards modernization and economic reform in China provide increased opportunity for export of energy- and agriculture-related technology. The recent agreement regarding animal health and quarantine regulation between China and Canada opens the door for the sale of Alberta livestock genetics. Recognizing the importance

of two-way trade, Alberta co-sponsored the Great Trade Show of China, from April 14 - May 5, 1984 in Edmonton, which provided a unique opportunity for the Chinese to introduce their products and investigate the North American market for export potential. Featured at the trade show was Alberta's sister province of Heilongjiang, and a delegation headed by Mr. Li Lian, Senior Advisor to the Government of Heilongjiang. Alberta's sister province affiliation with Heilongjiang province remains an integral part of our relations with China. This year, over 30 visits and activities took place between Alberta and Heilongjiang, including the twinning of three Alberta schools with schools in Heilongjiang and the twinning of the the town of Edson with Yichun.

The Republic of Korea is Alberta's seventh-largest trading partner. Principal exports in 1984-85 were coal, petrochemicals and sulphur. The 10th Anniversary of the special relationship between the Province of Kangwon and Alberta was celebrated in September 1984 with commemorative ceremonies in both provinces and the signing of a Protocol of Reaffirmation of Friendship. Mr. Horsman visited Kangwon to participate in ceremonies held there.

Several major activities took place during 1984-85 within Asia-Alberta Exchange – Alberta's program of special affiliations with the three Asian provinces. A quarterly newsletter, the "Asia-Alberta Exchange", was initiated and six issues produced to inform the Alberta public of activities taking place within the frame work of these affiliations. The Second Biennial Consultations with Hokkaido and Heilongjiang were held in November 1984 to review activities over the past two years and to discuss further co-operation and exchange. A twelve-member Alberta Cold Weather Science & Technology Mission visited Heilongjiang and Hokkaido to explore potential areas of co-operation and to expand existing areas of exchange. An Alberta Medical Mission, including the Deans of Medicine of the Universities of Alberta and Calgary, visited all three sister provinces to develop medical exchange agreements with Heilongjiang and Kangwon and to review the existing medical exchange agreement with Hokkaido. During 1984-85 several successful commercial ventures took place between Alberta and its sister provinces in Asia including sales of oilfield equipment and technology to Heilongjiang, and the Hokkaido Takushoku Bank's purchase of shares in the Bank of Alberta.

The countries of Southeast Asia and the Indian sub-continent have become important markets for Alberta's oil and gas, technology and services. Further sales of these products are being pursued through trade missions and industry shows such as the Singapore oil show. The Honourable Dave Russell represented the Province at the Canada-Indonesia seminar in Indonesia in February 1985. This event was co-sponsored by the Asia Pacific Foundation of Canada. The Minister of International Trade, the Honourable Horst Schmid, visited India in January 1985 to inaugurate CHEMTEC, an oil and gas refining and technology exhibition, and to assist participating Alberta companies.

This year Alberta re-affirmed its commitment to the newly-established Asia Pacific Foundation of Canada by agreeing to provide $200,000 each year for the next five years to that organization. Four Albertans were named to the Foundation's Board of Directors.

Europe

Alberta has always enjoyed a close relationship with Europe, as many of the Province's residents are able to trace their cultural ancestry to various parts of the European continent. Europe in 1984-85 continued to be an important area for the Province from an economic and commercial point of view. Total trade between Alberta and the various countries of Europe (including the U.S.S.R.) exceeded $1.2 billion in 1984. Alberta's exports to Europe, primarily coal and agricultural products, amounted to over $1 billion.

In addition to being an important market for Alberta goods, Europe continued to be an important source of investment capital and technological expertise. It was also a point of origin for many of the tourists visiting the Province. Many European companies are involved in joint ventures with Alberta companies, both within the Province and in third markets.

During the 1984-85 period, Alberta received a number of important visitors and delegations from Europe. The Petitions Committee of the West German Bundestag, a group whose role is very similar to that of an Ombudsman in Canada, visited Alberta in September of 1984 to learn how Ombudsman's matters are handled in Alberta.

Five Senators from France, who visited in October 1984, discussed federal-provincial relations and matters relating to municipal affairs while they were here.

Mrs. Birgitta Dahl, the Swedish Minister of Energy, was in Alberta in February of 1985 as part of a Canada-wide sales mission.

Mr. Ivor Richard, the European Communities Commissioner responsible for Employment, Social Affairs, Occupational Health and Safety and Vocational Training, came to Alberta in November of 1984, and discussed areas of potential Alberta/EC co-operation with various Alberta ministers.

Other important visitors to Alberta included senior representatives from Italy, the United Kingdom, Sweden, France, the Netherlands, Yugoslavia, Austria, Norway, Switzerland and Belgium.

Alberta government representatives also made a number of important visits to Europe in 1984-85. Premier Lougheed, in January and February of 1985, visited the United Kingdom and Switzerland. In the United Kingdom he met with the Honourable Peter Walker, the British Energy Secretary, to discuss the world energy scene and also held meetings with representatives of various energy and financial institutions. In Switzerland he met with representatives of various Swiss banks to discuss the current state of the world economy and possible future trends, as well as with representatives of the General Agreement on Tariffs and Trade (GATT) Secretariat for the purpose of discussing the upcoming GATT negotiations on world trade liberalization.

In addition to the above ministerial visits, officials of various Alberta departments such as Agriculture, Economic Development, and Tourism and Small Business also continued their regular sales missions and promotional visits throughout Europe during 1984-85.

Union of Soviet Socialist Republics

During the year, Canada's relations with the Soviet Union registered progress in sectors of economic and technological importance to Canada and Alberta.

The Soviet Union remained Alberta's third largest export market, behind the United States and Japan. Alberta's exports to the U.S.S.R. in 1984 were valued at $544 million, representing growth of 20 per cent over the previous year. Although Alberta's trade with the Soviet Union is dominated by grain sales, Alberta is acknowledged as the Canadian province most active in pursuing trade in other areas. Significant progress has been made in capitalizing on trade opportunities in agricultural development and oil and gas exploration and production, two areas in which Alberta capabilities match Soviet needs. At the same time, the Province has recognized the importance of two-way trade and of the need to take steps to help alleviate the large trade imbalance in Canada's favour.

Throughout the year, Alberta maintained an active interest in the Canada-Soviet relationship, including the various bilateral mechanisms set up to facilitate co-operation and exchange. Alberta made a submission to the federal government in preparation for the 1984 Canada-U.S.S.R. Mixed Economic Commission meeting held in Ottawa, and continued to pursue with the federal government the question of direct provincial involvement as part of the Canadian delegation to Commission meetings. Steps were also taken to further Alberta's interests in scientific, technical, academic and cultural exchange with the Soviet Union, both through renewed bilateral programs and by other means.

Latin America

Alberta continued its efforts to increase its ties with Latin American countries throughout 1984-85, although the economic difficulties and debt problems of many of the countries in the region continued to limit the immediate market for many Alberta goods.

Brazil, Mexico and Venezuela hold particular significance for Alberta. Alberta's exports to Brazil totalled over $117 million in 1984. Wheat, sulphur and coal were the major components of this export trade. Provincial exports to Mexico in 1984 reached $21.2 million, while exports to Venezuela for the same period totalled $15.5 million. Propane gas and agricultural products were the major exports to Mexico, while oil and gas equipment was the main component of Alberta's export trade with Venezuela.

Mexico and Venezuela both hold significant potential for increased sales of Alberta's oil and gas technology and related services. Both countries are also seen as potentially good markets for increased sales of Alberta agricultural goods and services such as livestock, livestock genetics and canola meal.

Sales missions, with private sector participation, were organized by several Alberta departments to Brazil, Mexico, Venezuela, Colombia, Ecuador, Peru and Bolivia. Representatives from Latin American countries who visited the Province in 1984-85 included the High Commissioner from Trinidad and Tobago, and the Mexican Ambassador, as well as a major oil and gas mission from Argentina.

Africa

Although Alberta's economic exchanges with Africa have been modest, ties with African nations have increased, particularly in trade and training-related areas. Many activities involve development assistance, through CIDA or other world aid organizations, for the purchase of equipment, consulting services and technology, as well as for the financing of development projects.

At present, potential oil-producing countries hold the best prospects for sales of Alberta products (mainly oil and gas equipment, services and technology). The province also provides substantial development assistance to many African countries.

Middle East

While most attention was focused on the continuing Iran-Iraq war and its implications for weakening oil prices, Alberta continued to identify and pursue trade and co-operation activities. The Middle Eastern region was visited three times by Alberta ministerial delegations. The Minister of Culture visited Israel in May to discuss cultural co-operation and exchanges; the Minister of International Trade visited Israel in June 1984,and Saudi Arabia, Kuwait and Bahrain in March 1985, to promote Alberta goods and services in the petroleum sector. Alberta received visits by senior representatives of a number of Middle Eastern countries, including national oil companies and chambers of commerce. The Canada-Arab Business Council sponsored a seminar in Alberta in November 1984 to encourage Alberta businesses to pursue trade opportunities in the Arab world.

International Cultural, Scientific and Educational Activities

International cultural, scientific and educational activities are an important part of Alberta's relationship with other countries. They provide a valuable means to increase contact and improve understanding between peoples, to stimulate new ideas through interchange, to promote the development of our own artists, scientists and teachers, and to further trade and other economic goals of the province. For example, cultural, educational and sports exchanges are important elements of Alberta's special relationships with its three "sister" provinces in Asia. Alberta acts not only directly, by sending artists, exhibitions, educators, scientists and other experts abroad, but also in co-operation with the federal government. Through its participation in Canada's bilateral cultural and scientific discussions with such countries as the United Kingdom, France, Germany, Japan and Mexico, Alberta has expanded its contacts with these countries in the areas of research and development, culture, sports, and education.

Alberta representatives also participate as part of Canada's delegations to several multilateral educational and cultural meetings. For example, Alberta was part of Canada's delegation to the World Population Conference held in Mexico City in August 1984, and attended several UNESCO meetings. Highlights in the field of international cultural exchange in 1984 included:

- concert performances by the Hertz Trio in the U.S.S.R.;
- participation by the Alberta Ballet company in an international ballet festival held in Cuba;
- Angela Cheng's debut recital in New York City;
- a tour of Venezuela, Columbia, Peru and Chile by Carrol McLaughlin;
- a showing of the Seven Artists From Alberta exhibition in London and Paris;
- performances by the Small Change Theatre at the Edinburgh Film Festival;
- an exhibition at Sir Winston Churchill Square in Edmonton of ice sculptures carved by sculptors from Asahikawa, Japan; and
- a show of opera costumes and paintings from Italy at the Northern Alberta Jubilee Auditorium.

Performances and exhibitions were held by a large number of other Alberta artists and groups in the United States, in Europe and in other parts of the world, and Alberta was honoured to receive many cultural groups from Asia and Europe.

In the area of international educational activities, 1984-85 saw continued and increased emphasis on the support of Canadian studies at universities and other institutions abroad with an interest in western Canada and Alberta. This is an effective vehicle to promote a better knowledge of Canada abroad, and our efforts are directed primarily at improving the understanding of Alberta and Western Canada. During the 1984-85 period, grants were made to several institutions in the United States and to the Foundation of Canadian Studies in the United Kingdom to undertake a variety of activities designed to enhance the attention paid to Alberta and western Canada in the study of Canada abroad. Smaller grants were also provided to a university in Japan and in Hong Kong as seed money for the establishment of a course on Canada and to explore a program of academic exchanges with the University of Hong Kong. During the year, the department also continued its distribution of Alberta government publications to key Canadian studies centres at universities overseas.

Scholarships for study at the graduate level at Alberta universities were again offered to a number of students from overseas during 1984-85. Alberta's program includes two scholarships to the Province of Heilongjiang, People's Republic of China; one to the Prefecture of Hokkaido, Japan; one to the Province of Kangwon, Republic of Korea; and one each to the European countries of Germany, the United Kingdom, Belgium and France.

The area of international scientific exchange is also of continuing interest to Alberta, and possibilities for co-operation continued to be explored with countries such as Germany, Japan, France and many others. Greatest emphasis is placed on the natural resource sector, with coal liquefaction, coal transportation, heavy oil and oil sands technology, and enhanced oil recovery being of particular importance.

The year 1984-85 also saw continued activity by the Alberta Oil Sands Technology and Research Authority (AOSTRA) in the international sphere. Existing co-operative agreements for the development and exchange of technology in the fields of oil sands, heavy oil and enhanced oil recovery were pursued, and a new agreement was signed with the Hungarian Institute. These efforts bring benefits both to Alberta and the other countries involved, as they help to solve common technological problems, reduce costs through joint efforts, expand the available pool of expertise, and assist in the marketing of petroleum-related technology. AOSTRA also provides analysis and testing services for countries which have hydrocarbon deposits similar to those in Alberta.

International Assistance

During 1984-85, the Alberta International Development Agency continued its program of supplementing funds raised in the province by non-governmental organizations involved in a variety of international assistance projects in developing countries. Total funding amounted to $9,994,285, which was used to assist 469 projects in 85 countries. This total figure included a special contribution of $3,000,000 which was made during the year to commemorate the visit of Pope John Paul II to Alberta.

In response to the drought and crisis experienced in Ethiopia and in other parts of Africa during the 1984-85 period, approximately $1 million of the Government of Alberta's contribution was provided for direct famine relief and food production in Ethiopia. Almost $4 million was directed toward a further 190 projects in Africa designed to increase local food production and to provide foodstuffs for people suffering from famine conditions.

Alberta White Paper – New Canadian Trade Strategy

The release of the Government of Alberta White Paper, Proposals for an Industrial and Science Strategy for Albertans 1985-1990, in July 1984, focussed attention on Alberta's international trade initiatives. Besides identifying a number of trade promotion initiatives for consideration, the white paper also indicated that Alberta would take a leadership role in pressing for a new Canadian trade strategy.

The summer and fall of 1984 saw the provincial government expand its efforts and contacts with the newly-elected federal government, which exhibited a sincere willingness to work co-operatively with the province in expanding Canada's trade initiatives. A federal-provincial meeting of Ministers of Trade was convened in November 1984 and resulted in direction that the elements of a new national trade strategy be jointly developed by federal and provincial governments for submission to the First Ministers' Conference on the Economy in February 1985.

Intensive consultations resulted in the tabling of two jointly-developed federal-provincial documents at the First Ministers' Conference: Towards a National Trade Strategy and a Proposed International Marketing Action Plan. These documents identified the key elements necessary for Canada to achieve success in international trade: market access, competitive adjustment, and effective international marketing. It was agreed that "through continuing federal-provincial dialogue and concentrated joint efforts that are action-oriented, a national trade strategy will help to ensure that Canada's position in the international market place will be significantly improved for the betterment of all Canadians." The international marketing action plan identified a series of specific trade development programs, services and strategies which, through federal-provincial co-operation, could be effectively implemented to expand Canada's international trade.

Agricultural Trade Concerns

The impact of Canada's trade policy and trade promotion efforts on Alberta's important agricultural sector was also addressed. The province has long recognized how critical international markets are for the agricultural sector. Alberta is a major exporter of grains, oilseeds, livestock, meat, and processed agricultural and food products. At Alberta's initiative, the 1984 meeting of federal and provincial Agriculture Ministers focused on international trade and its impact on agricultural policies. A Federal-Provincial Trade Policy Committee was created to provide for continuing federal-provincial consultation on

agricultural trade issues and to provide an ongoing mechanism for provincial involvement in the development of Canadian positions and strategies for agricultural issues in multilateral or bilateral trade negotiations.

Canada–United States Trade Initiative

The most significant Alberta initiative related to trade was Premier Lougheed's suggestion that Canada pursue a trade arrangement with the United States. This proposal was outlined by Premier Lougheed at the First Ministers' Conference on the Economy, held in Regina, in February 1985, and was described in a position paper Free Trade With the United States: An Alberta Perspective, which was tabled at the conference. The new federal government, in its review of the sectoral trade initiatives of the previous government and the state of Canada-U.S. trade relations, had issued discussion papers outlining options to secure and enhance Canada's access to international markets. The Alberta position paper addressed the options proposed in the federal discussion paper and reached the conclusion that the only viable option to meet Canada's overall economic objectives and interests, was to undertake a comprehensive trade arrangement with the United States.

The Alberta position paper advocated a bold approach to the United States and noted that Canada had achieved the political, cultural, and economic maturity to undertake the initiative of establishing a free trade arrangement with the United States. The Alberta paper pointed out that the negotiation of such an arrangement would open up large markets for Canadian industries, expand investment in Canada, create substantial numbers of new jobs, facilitate industry restructuring to improve Canada's overall international competitiveness, benefit consumers, and enhance Canadian technology development.

Premier Lougheed encouraged the Prime Minister to pursue the concept of a comprehensive trade arrangement with the President of the United States at the Quebec Summit Meeting between the two leaders in March 1985. At the conclusion of the Summit Meeting, the Prime Minister and the President issued a trade declaration which outlined efforts to resolve a number of bilateral trade irritants and directed that bilateral mechanism be established to chart all possible ways to reduce and eliminate existing barriers to trade. The Government of Alberta undertook to work closely with the federal government to implement the objectives of the Quebec Summit declaration.

Multilateral Trade Negotiations

Alberta continued to focus on the issues under consideration by the General Agreement on Tariffs and Trade (GATT). International discussions progressed during 1984 to the state where a new round of multilateral trade negotiations seemed possible. As a result of efforts by the United States, supported by Japan and Canada, there were pressures to start a new round of trade negotiations. The purpose of these negotiations would be to expand international trade, to head off increasing protectionist sentiments and to avert major trade disputes. Progress was most evident in the GATT Committee on Trade in Agriculture, which provincial officials closely monitored. Meetings were held in Geneva and other European centres to pursue Alberta's objectives and to gauge the prospects of new international negotiations for Alberta products.

Alberta's objectives for a new round of multilateral trade negotiations were identified as further liberalizing trade in agricultural products, petrochemical products and some service sectors including engineering, oil and gas service industries, and tourism. Alberta strongly supports Canadian initiatives to encourage a new round of GATT negotiations.

International Energy Developments

In the international energy field Alberta actively monitored international developments and participated in various activities associated with the International Energy Agency (IEA). As a result of efforts to expand direct provincial involvement in the activities of the IEA, an official of Alberta Energy and Natural Resources was named as the co-representative, along with a federal official, to the IEA Fossil Fuels Working Group which focuses on research and development activities. This involvement allowed the Alberta Office of Coal Research and Technology direct access to collaborative research and to development activities which could be of benefit to Alberta's coal industry.

Alberta hosted the IEA review team which was conducting an in-depth review of Canada's energy research and development activities. The IEA review team met with Alberta government and industry officials and was provided with a first-hand exposure to Alberta's coal research activities underway at Alberta Research Council facilities in Nisku and the new coal research centre near Devon. An extensive briefing on the operating practices and successes of the Alberta Oil Sands Technology and Research Authority generated considerable interest as a model of effective government-industry collaboration in energy research.

There was close monitoring of international developments related to oil pricing in 1984-85, which saw a significant weakening of oil prices. Contacts directly from Edmonton with the International Energy Agency, and extensive reporting by the Alberta Agent General in London, kept the government up-to-date and informed of pricing developments, trends and prospects.

Provincial Involvement in International Meetings

For many years now, the Government of Alberta has pursued initiatives to expand provincial involvement as part of the Canadian delegations at international discussions, meetings, and negotiations. The province has long held the view that many types of international meetings have a direct bearing on issues of considerable importance to the province and often involve areas of joint federal-provincial responsibility or exclusively provincial jurisdiction. In addition, provincial governments often provide a significant positive contribution to international discussions by bringing to bear specific regional or sectoral expertise and by facilitating contacts and exchanges within the province. Alberta has identified its priorities for participation, as members of Canadian delegations, at meetings of the General Agreement on Tariffs and Trade, the International Energy Agency, and bilateral meetings of the Canada-U.S.S.R. Mixed Economic Commission, the Canada-Japan Joint Economic Committee and various Canada-United States discussions. The province continued to present its case vigorously to the new federal government at both the officials' and the ministerial level.

Summary

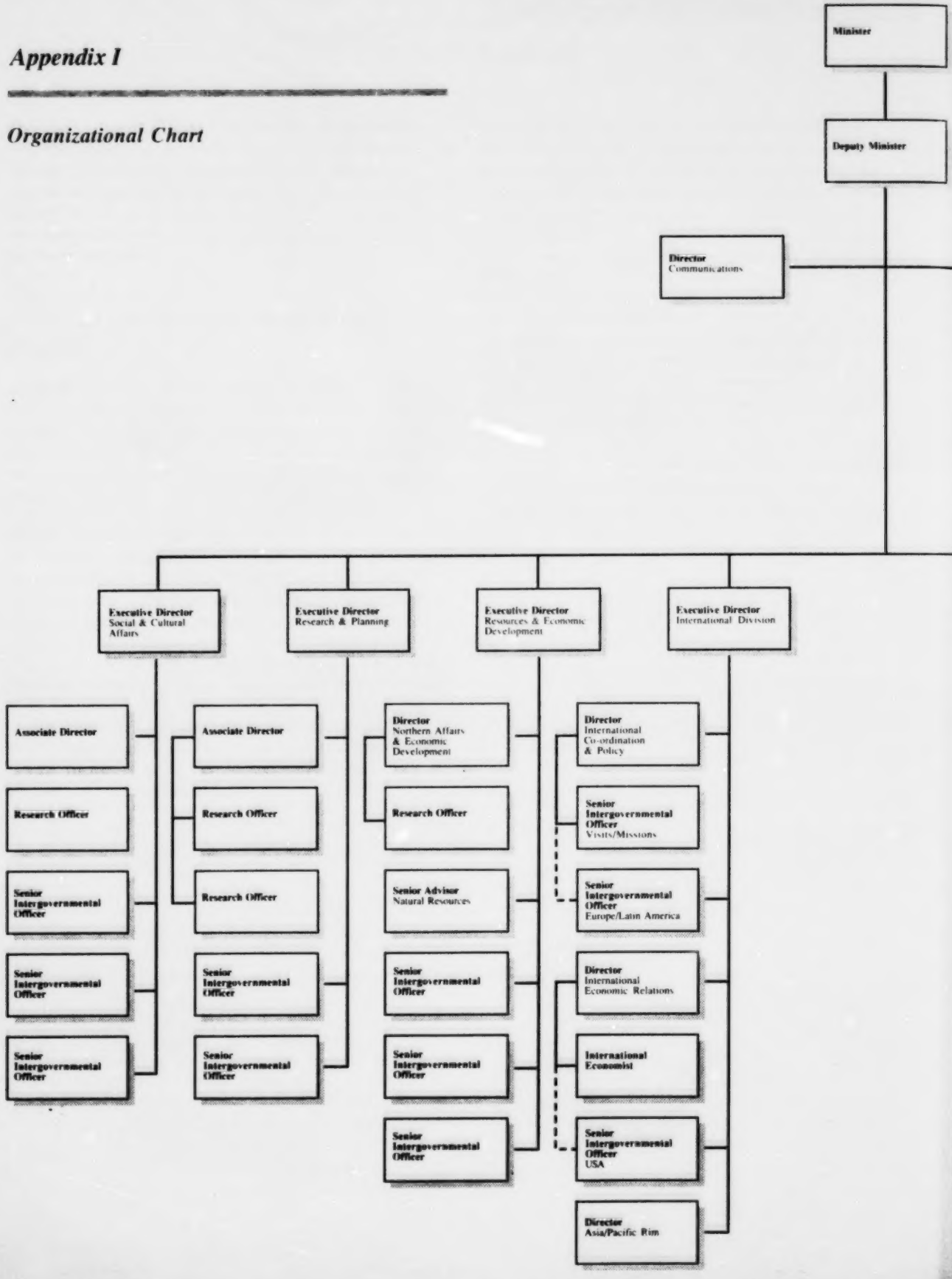
The election of a new federal government in September 1984 resulted in a new federal-provincial relationship. In addition to the federal government shifting its priorities and policies – with significant implications for intergovernmental relations – there was a renewed atmosphere of co-operation and consultation which overlaid federal-provincial discussions. This co-operative approach was very much in evidence at the February 14-15, 1985 First Ministers' Conference in Regina.

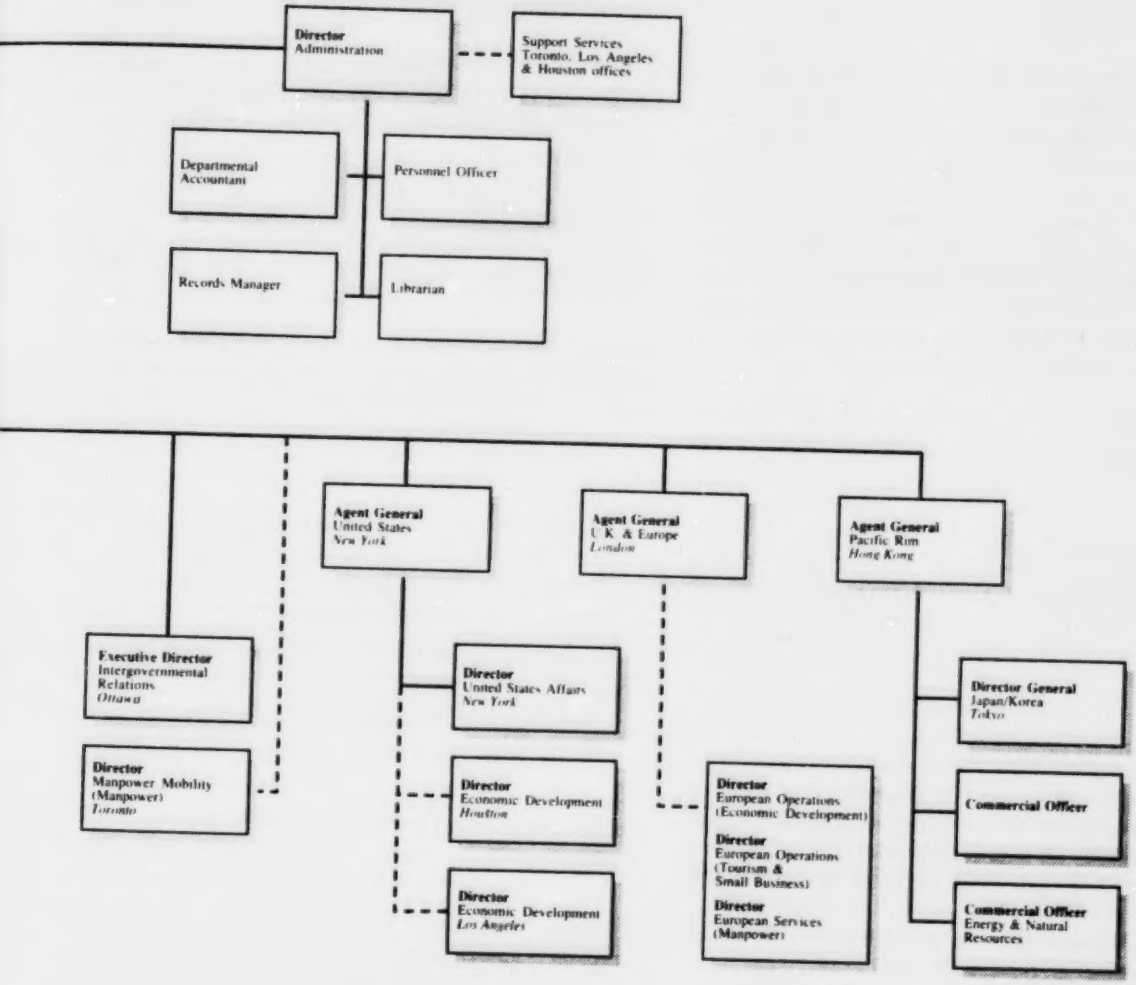
Throughout the year a number of major federal-provincial agreements were signed. These included the Western Energy Agreement and an agreement to convene an annual First Ministers' Conference to discuss economic matters, review the state of federal-provincial relations and consult on major issues of concern to both orders of government.

The province of Alberta will continue to support and pursue a co-operative intergovernmental approach to meet the challenges and opportunities before the country.

Appendix I

Organizational Chart

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Administration
Support Services
Toronto, Los Angeles
& Houston offices
Departmental
Accountant
Personnel Officer
Records Manager
Librarian
Executive Director
Intergovernmental
Relations
Ottawa
Director
Manpower Mobility
(Manpower)
Toronto
Agent General
United States
New York
Director
United States Affairs
New York
Director
Economic Development
Houston
Director
Economic Development
Los Angeles
Agent General
U.K. & Europe
London
Director
European Operations
(Economic Development)
Director
European Operations
(Tourism &
Small Business)
Director
European Services
(Manpower)
Agent General
Pacific Rim
Hong Kong
Director General
Japan/Korea
Tokyo
Commercial Officer
Commercial Officer
Energy & Natural
Resources

Appendix II

The Twenty-fifth Annual Premiers' Conference

Charlottetown, Prince Edward Island
August 20-22, 1984

Communiqué on the Economy

The ten provincial Premiers at their 25th annual conference in Charlottetown, the Birthplace of Confederation, called for a renewal of the spirit of co-operation on which Canada was built.

They stressed the need for a new and positive federal-provincial approach to economic development in Canada. Such an approach would permit the provinces and regions to build on their strengths and to maximize their contribution to the prosperity and well-being of all Canadians. Along with human resources, these include:

1 agriculture
2 energy
3 financial, personal and business services
4 fisheries
5 forestry
6 manufacturing and processing
7 mining
8 new technology
9 tourism
10 transportation
11 water

The Premiers stressed the high priority that must be given to meeting the economic challenges facing Canada. They recognized that economic adjustments will have to be made if investor confidence is to be rebuilt and Canada's competitiveness restored. They called for regular consultations between the two orders of government to deal with these challenges and urged the Prime Minister of the new government to convene the first of these meetings prior to the next federal budget for the express purpose of setting priorities to ensure Canada's sustained economic recovery.

The Premiers identified a number of elements which must be an integral part of a plan or strategy for sustained economic growth. These elements include:

- recognition of and building upon the strengths of all Canada's provinces and regions to create permanent jobs;
- creation of a positive climate for private sector initiative which will encourage private sector investment and create secure and skilled jobs for Canadians;
- education and training of Canadians to ensure they have the skills to participate in a rapidly changing economy;
- adoption of monetary, fiscal, taxation and exchange rate policies that complement Canada's economic strategy;
- formulation of new regional economic development policies which realistically recognize disparities, potential strengths and differences;
- removing unnecessary impediments to investments from abroad;
- control of government deficits;
- expansion of international trade and transportation to give Canada a larger and more competitive role in the world economy;
- increased commitment to research and development;
- ensuring that public sector wages and salaries do not lead those in the private sector; and
- ensuring the decision-making process is enhanced by regular meetings of the First Ministers.

The federal and provincial governments must pursue these elements in the spirit of co-operation, consultation and mutual respect.

Appendix III

Western Premiers' Conference
Kelowna, British Columbia
May 7-8, 1984

International Trade – New Directions

Premiers from the four western provinces, meeting in Kelowna, British Columbia, stressed the high priority of international trade. Canada is a trading nation whose future economic prosperity depends substantially upon maintaining and expanding international trade. Expanded trade is necessary for a sustained economic recovery and would assist in furthering job creation, resource upgrading and the diversification of the western Canadian economy.

The Premiers agreed that:

- Canada must make international trade liberalization a priority. International trade barriers affecting Canadian products, particularly agricultural and upgraded resource products, must be eliminated.
- Increased trade promotion and marketing efforts must be made to take advantage of export development opportunities, including greater federal-provincial co-ordination and communication in trade fairs and missions.
- Expanded export marketing activities must be accompanied by more competitive export financing capabilities.
- Corporate export consortia, capable of competing with international firms, should be encouraged to promote our trade opportunities.
- Sectoral free trade discussions with the United States should be pursued to expand access to markets, including attention to sectors of specific importance to western Canada.
- The tremendous impact the dynamic Pacific Rim countries will have on Canada must be recognized. Trading relations with these countries must become a Canadian priority. To this end, the Premiers endorsed the progress made towards establishing the Asia-Pacific Foundation.
- Access to foreign markets for Canada's goods and services is vital to economic growth and prosperity. Canada must continue to resist protectionist measures such as import quotas on automobiles and other non-tariff barriers. Trade is a two-way street, and Canada must be receptive to other countries' exports if it expects to export in turn.
- An economic climate which encourages rather than prevents international investment must be created. To foster this climate, unnecessary impediments to foreign investment must be removed.
- The provinces agreed that the development of duty-free zones in western Canada could play an important role in attracting investment and promoting exports. In noting the success of such zones in other areas of the world, the provinces urged the federal government to act promptly on the reference to duty-free zones made in the federal Throne Speech of December 7, 1983.

General Agreement on Trade and Tariffs (GATT)

The Premiers welcomed the preparations for a new round of multi-lateral trade negotiations. They urged the Prime Minister to pursue this issue at the forthcoming economic summit conference in London on June 8 and 9. A new round of trade negotiations could address a wide variety of important tariff and non-tariff barriers to trade in both goods and services. Canada's priorities in this new round should be liberalization of trade in agricultural products and in processed resource products.

Recalling the contributions the provinces made to the Tokyo Round, the Western Premiers urged the federal government to ensure full provincial involvement in preparations for the next round of multi-lateral trade negotiations. In addition, they reaffirmed the position taken at the 1982 Premiers' Conference in Halifax that provinces be an integral part of the Canadian delegation to the next GATT ministerial conference scheduled for November 1984.

Provincial Role in International Trade

The Premiers took note of and welcomed the federal government's trade policy discussion paper released last fall. Given the importance of trade to the economic development of the western provinces, they called on the federal government to ensure full provincial involvement in the development of Canadian policies, priorities and strategies related to trade.

In addition to federal-provincial co-operation, there are initiatives that individual provinces can take. Examples include: Alberta's support of the Great Trade Show of China recently held in Edmonton; the development of special relationships such as the forthcoming twinning between Saskatchewan and the province of Jilin, China; and missions by Manitoba and British Columbia delegations to Pacific Rim countries.

The Premiers noted that the world will be coming to Canada for five and one half months in 1986 for Expo '86 in Vancouver. This World Fair will present a unique opportunity to demonstrate the extensive range of Canadian products and skills and will provide a major opportunity for enhancing international trade. Investors from around the world representing the key areas of transportation and communication

technology will be in attendance. Significant commitments to participating in the Fair being sponsored by British Columbia have been made by all three neighboring Western provinces.

Given the special trading relationships between Canada and the United States, provinces have a unique role to play in promoting and furthering trade between the two countries. Examples are meetings between Premiers and Governors; between Premiers, Congressmen and Senators; and the sponsoring of special seminars to promote Canadian economic opportunities.

The Premiers stated that the long-standing co-operation among western provinces in the area of trade development and trade policy should be further increased. The Premiers directed their ministers responsible for trade to explore new areas where western co-operation can take place, including:

- assisting the private sector to collaborate in international bids;
- collaborating on methods of increasing the export of services and provincial expertise;
- the sharing of information on marketing opportunities; and
- co-ordinating the western provincial position for the proposed new GATT negotiations.

Communiqué No. 2

Transportation

The Premiers emphasized the critical importance of transportation for development of their provinces. They agreed that there should be upgrading of facilities and simplified regulations for all modes of transportation.

Rail Capacity and Rate Structure

The Premiers strongly urged that the full expansion of rail capacity, which was intended to follow the passage of the Western Grain Transportation Act, proceed according to previously announced plans.

They noted that since the passage of the Act the railways have revised their cost estimates for projected capital commitments and suggested that this change should be reflected in a downwards revision of the rate structure.

The Premiers expressed concern that the rate structure for grain shipments penalizes increased production of this key export commodity. They strongly urged the federal government to remove the artificial marketing cap of 31.5 million metric tonnes.

The Premiers agreed that the federal government must encourage expansion of value added processing activity in the West, as had been promised earlier.

Elevator Tariffs

The four Premiers also expressed concern at the tariffs charged by elevator companies for the handling of grains. These rates, which are regulated by the federal government, have been allowed to increase substantially at a time when increased value should be permitting the elevator companies to achieve economies of scale.

Ports

The Premiers welcomed the recent announcement of the $93 million Canada-Manitoba agreement to modernize and upgrade the Port of Churchill. They stressed the importance of developing major port facilities and noted successful progress at Prince Rupert. They directed their ministers responsible for transportation to review initiatives in this area.

Container Traffic

Concern was expressed by the Premiers at the increasing diversion of container traffic to United States ports and the belief expressed that a decline in Vancouver's participation in the container traffic could increase Canada's dependency on the Untied States, a development which would be detrimental to Canada's international trade objectives. The Premiers directed their ministers responsible to propose remedies at an early date.

Petrochemical Facility

The Premiers expressed the view that the development of a petrochemical port terminal on the West Coast is essential if the Western Canadian petrochemical industry is to penetrate world markets.

Passenger Services

The Premiers agreed that Via Rail passenger service between Vancouver, Jasper, Edmonton, Saskatoon and Winnipeg should be supported and resumed. Absence of this service makes a significant portion of Western Canada inaccessible to Canadian and foreign visitors.

The Premiers expressed concern about station abandonment and discontinuance of rail service throughout western Canada.

Trucking

The Premiers observed that, although considerable progress has been made in matters affecting interprovincial trucking, problems remain. They requested their Ministers of Transport to develop recommendations to improve the efficiency and effectiveness of the interprovincial trucking system.

Air Transportation

The Premiers expressed the belief that communities in Western Canada should have access to air transportation. They called on the Government of Canada to simplify regulations with respect to third level carriers with a view to permitting them to develop better service to smaller communities at competitive prices.

Communiqué No. 3

Economic Growth and Development

The four Western Premiers agreed today at their annual conference in Kelowna, British Columbia, that the economic priority of governments must be to facilitate sustained economic growth and the creation of new, permanent jobs.

The Premiers stressed the need for all governments in Canada to help promote confidence and provide a strong foundation for future economic development based on the ability to compete in world markets.

In their discussion of the economic outlook, the Premiers agreed that there is cause for optimism that the Canadian economy will continue to recover from the recent recession.

They were encouraged by the decline experienced in the rate of inflation since their last meeting and by the elimination of the gap between Canadian and U.S. interest rates. They referred to their communiqué from Swift Current last year and noted that each of their governments has made significant progress in reducing deficits and adopting policies to control the cost of government services.

The Premiers expressed strong continuing support for the small business sector. They noted the significant success achieved through co-operation between provincial governments and small business in creating new, permanent jobs. They also recognized the innovative capacity of small business to respond to the rapidly changing needs of today's economy.

The Premiers acknowledged recent progress toward implementing policies to restore Canada's economic growth and stability, but drew attention to several factors which must be addressed if the recovery is to be sustained.

Interest Rates

The Premiers noted that the Bank of Canada had become more flexible in the last year in balancing the goal of exchange rate stability with the need for more moderate interest rates in Canada. The Premiers emphasized that approximately 30 per cent of Canada's trade is with countries other than the United States and that the Canadian dollar has been relatively strong in relation to the currencies of those other countries. They urged the Bank of Canada to take this important factor into account in setting Canadian interest rates.

In this context, the Premiers noted that Canadian interest rates should be sensitive to economic conditions in Canada. They stressed that any decline in the relative value of the Canadian dollar should be used to build long term competitiveness, rather than artificial wage and profit gains.

Deficit Reduction

The Premiers reiterated their commitment to controlling and reducing their deficits as the economy strengthens. They emphasized the distinction between borrowing for current expenditures, which must be systematically reduced, and borrowing for capital expenditures, that increase the productive capacity of the economy.

Significant concern was expressed about large federal government deficits and their effect on interest rates and private investment. They cited the large and continuing deficit of the Government of Canada and called upon federal policy makers to follow the lead of the western provinces. Rigorous control of expenditure is key to deficit reduction, they said.

Public Sector Compensation

The Premiers restated their long-standing commitment that public sector compensation should not be allowed to lead private sector wages. They noted that each province has implemented policies and programs sensitive to its individual situation and expressed satisfaction with the progress made to date.

Industrial Incentives

The Premiers stated that greater incentives should be provided for the private sector to invest in and build on the areas of strength in the Canadian economy. They urged the federal government to use the national tax system in a more innovative manner, specifically by allowing greater scope for provinces to provide targeted tax incentive under the joint tax collection system. The Premiers expressed the view that by being more flexible in administering provincial tax credits within reasonably broad parameters, the federal government could enable the country to build on the broad and diverse strengths of Canada's economy.

Training

The Premiers discussed the critical importance of skills and knowledge in the economic era now emerging. They stressed that all levels of government must co-operate with business and labour to provide Canadians with educational and training opportunities relevant to the job market of the future. The Premiers noted that emphasis should be placed on retraining workers affected by technological change, on improving apprenticeship training and on redirecting university priorities to encourage courses more consistent with needs of the economy. They indicated that special priority should be given to training programs related to international trade.

The Premiers directed their ministers responsible for manpower to jointly develop mechanisms for greater co-operation and co-ordination in this area.

Regional Economic Development Programs

The Premiers reviewed the new Economic and Regional Development Agreements (ERDA's) currently being negotiated between the federal and provincial governments. They urged the federal government to use the agreements as instruments for co-ordinating federal-provincial economic development initiatives. Premiers expressed the view that development programs should be directed toward sectors which are, or have potential to be, strong and competitive rather than to declining sectors in which Canada wi.. not be able to compete.

The Premiers were critical of the operation of the federal Industrial and Regional Development Program (IRDP), citing its complex and confusing administrative apparatus and the inadequate levels of assistance provided to some provinces. They offered to assist the federal government in a thorough review of the program.

In summary, the premiers expressed confidence that attention by all governments to these factors would greatly assist economic recovery and enhance the ability of the private sector to provide the needed permanent jobs.

Appendix IV

Closing Remarks by Premier Lougheed to First Ministers' Conference on the Economy

Regina, Saskatchewan
February 15, 1985

Prime Minister, I have been sitting here thinking about the real difference between this conference and other conferences that I have attended and the first part of it is, Prime Minister, you opened by referring to us as colleagues and partners and meant it. That is something else that is different too. It is about one of differences. I don't know, everybody in this room just knows that we are going to have differences. That is inevitable. What is really different about this conference is how we are dealing with the differences and we are not dealing with them with acrimony or with closed minds. We are taking and exchanging views and thinking about them and that really seems to me a key in why this conference is so different than many others that I have attended. I am really pleased that we have at least had a short time to discuss the farm situation in western Canada and your assurances, Prime Minister, that you will put that high in your priorities. It is a matter where we should have perhaps put more emphasis on, but I sense that you are aware of it and I really do feel and hope after all that, the farmers who have been listening here will think it is the federal government. I see nodding heads behind you from some of your colleagues that the issue will really move up the ladder of priority.

I made a couple of proposals yesterday, a real deep concern that we don't have a new set of interest rate increases based on trying to protect the Canadian dollar against the American dollar and I hope regardless of how you handle it, that you sense from the other Premiers around here that that is a very, very fundamental matter for Canada.

I made a proposal today that Canada was ready for a bold move in terms of trade relationships with the United States, and I hope that you will at least explore that with the United States, and I hope that you will at least explore that with the President of the United States next month. When I look at a conference I like to look at tangible evidence. It wasn't so much the nature of the dollars that were involved in your proposal that you and Flora brought here yesterday, but it was the way that it was done by responding to the provinces in really trying to harmonize the federal and provincial points of view that we all mentioned. I think that is a tangible item of progress that came out of this conference but you know and I know, sir, that there are many difficult problems in a confederation like Canada. We in Alberta, and with Saskatchewan and British Columbia, face a real crucial test on the dismantling of the national energy program and your Red Barn speech. We are very, very aware of it. It means not a lot just to governments, but to people in the western region of Canada and in all of Canada. I happen to be so pleased about that agreement that we signed that I don't want to tell how many times I have said, over the years that I have been in public life, "Can we show that the federal system works in Canada by regularizing and institutionalizing on a particular time each year the First Ministers' Conferences?" There is no way I am going to leave here without a big smile on my face; I am so pleased about that. That is a major step for the country.

My final comment is confidence is a key for Canada, confidence in ourselves and in our institutions and what really happened here today is that I think many, many, many Canadians have watched us probably and when it ends, they will be able to turn off the television and turn to whoever is in the room with them and say "you know, confederation is working in Canada." Thanks, Prime Minister.

Appendix V

First Ministers' Conference on the Economy: Memorandum of Agreement

Annual Conference of First Ministers
Regina, Saskatchewan
February 14-15, 1985

In the pursuit of greater harmony and closer co-ordination among the federal and provincial governments of Canada, and in order to serve the Canadian public to the best of our abilities, we First Ministers, at a Conference held in Regina, Saskatchewan, hereby commit the governments we represent to the following:

1 A Conference composed of the Prime Minister of Canada and the First Ministers of the provinces shall be held at least once a year. This Conference shall be known as the "Annual Conference of First Ministers".

2 At the Annual Conference, First Ministers shall:
- **a)** review the state of federal-provincial relations;
- **b)** consult on major issues that concern both orders of government; and in particular the state of the economy;
- **c)** consider broad objectives for governments in Canada;
- **d)** exchange information to facilitate planning for the operations of their governments.

3 In order to meet these broad objectives, the Annual Conference shall be held, where possible, in the last quarter of the year.

4 The Prime Minister of Canada shall convene and chair the Annual Conference.

5 The First Ministers shall determine jointly the agenda, dates and location of the Annual Conference.

6 If First Ministers so decide, the Conference for that year will not be held.

7 The Prime Minister of Canada may continue to convene other First Ministers' Conferences to discuss particular issues.

8 This Memorandum of Agreement shall be in effect for a period of five years from the date of signing and shall be renewable thereafter for a similar period.

Signed at Regina, Saskatchewan, February 15, 1985.

Appendix VI

Free Trade with the United States: An Alberta Perspective

The First Ministers' Conference on the Economy
February, 1985

The Proposal

The Government of Alberta strongly supports a free trade arrangement between Canada and the United States. This free trade arrangement would allow goods and services to move across national boundaries without discrimination and unimpeded by tariffs, special taxes, and non-tariff barriers. The time has come for Canada to move boldly to open up the huge market of our neighbor to the south. The payoff will be in the prospect of substantial new job opportunities for Canadians.

Canadians recognize that trade is vital to our economy. Almost one-third of our Gross National Product results from our trading activities. Canada and the United States are each other's largest trading partners. Total trade between the nations will likely exceed $150 billion for 1984. Traditionally Canada and the United States enjoy the largest two-way trade and investment flow of any two countries in the world.

Unquestionably, the relationship is profitable to both countries, and the level of our interdependence cannot be understated. The jobs of millions of Canadians and Americans depend on the maintenance of good solid relations between our nations.

The federal government's discussion paper, "How to Secure and Enhance Canadian Access to Export Markets", released on January 29, 1985, is a positive contribution to the current deliberations on the free trade option with the United States. Alberta is encouraged by the federal government's stated commitment to consultation and its willingness to work co-operatively with the provinces. To a substantial degree, the discussion paper shares many of the views long-advocated at Annual Premiers' Conferences and Western Premiers' Conferences.

The Premiers of Canada's 10 provinces, at their annual conference in 1977 in New Brunswick, issued a communiqué which noted that "The importance of the United States market is such as to suggest that in addition to multilateral negotiations, Canada has much to gain from bilateral trade negotiations with the United States."

This Alberta paper is presented on the belief that Canadians are now prepared to accept new directions in meeting the challenge of creating jobs for young Canadians. In its White Paper on "Proposals For An Industrial and Science Strategy for Albertans, 1985 to 1990", released last year, the Government of Alberta focussed on the necessity to increase trade opportunities. Alberta believes that the time has come for Canada and the United States to seriously consider the mutual benefits of a free trade arrangement.

The Current Canada-United States Trading Environment

The current trading environment between Canada and the United States demonstrates the broad range of benefits of trade for both countries, and the problems inherent in such an extensive trading relationship.

Canada as a whole traditionally sends close to 75 per cent of its exports, both resource-related and manufactured, to the United States. The federal discussion paper highlights the importance of exports destined for the United States from specific regions and provinces. Figures show that exports to the United States from four provinces, as a percentage of their total exports, exceed 80 per cent. For five other provinces, value is in the 60 per cent range.

Certainly Canada has already taken advantage of opportunities which exist in the United States. To expand exports and to contribute to the further development on the Canadian economy, the private sector now must be assured of the continued opportunity to pursue and develop sales in the United States. Secure and enhanced access to that market is vital to the continued health of the Canadian economy and must be an overriding concern for Canada.

The current trading environment also demonstrates the broad range of difficulties which confront Canadian exporters. The federal discussion paper accurately describes the main problem as the increased threat of measures resulting from the strong protectionist attitudes which are spreading in the United States. The document specifies the many sectors which have experienced the uncertainty and harassment of threatened or actual United States restrictions on imports.

If Canada is to continue to benefit from trade with the United States, and wishes to be in a situation to take advantage of new and expanding export opportunities, then the Canadian business sector must be in a situation of greater stability and certainty regarding its exporting activities. The private sector cannot make a long-term commitment to expensive marketing and investment expenditures in a climate of uncertain trade relations with its largest market.

A Time for Bold Action

A number of factors support immediate action by Canada to develop a free trade arrangement.

Multilateral Trade Negotiations

The possibility that a new round of multilateral trade negotiations may be initiated actually provides an opportune backdrop to the pursuit of Canada-United States bilateral free trade. Alberta is confident that free trade arrangements between Canada and the United States will not hinder traditional trading relations with other countries. In fact, Canada and the United States would be able to provide the impetus for multilateral discussions and resolution of bilateral issues, while demonstrating that a co-operative approach to liberalized trade can occur despite protectionist pressures. A new round of multilateral trade negotiations would go some distance to rekindle the commitment to trade liberalization and assist in spreading world economic recovery. The United States has been a strong advocate of a new round of trade negotiations, and at the same time has expressed a desire to pursue trade liberalization wherever feasible, if only on a bilateral basis.

In his State of the Union address to Congress on February 6, 1985, President Reagan called for action:
"We have seen the benefits of free trade and lived through the disasters of protectionism. Tonight, I ask all our trading partners, developed and developing alike, to join us in a new round of trade negotiations to expand trade and competition, and strengthen the global economy – and to begin in this next year."

While not ignoring the potential benefits of a new round of multilateral trade negotiations, it is necessary to recognize that the multilateral approach will not necessarily succeed in obtaining substantive results for Canada. The Tokyo Round of multilateral trade negotiations provided some positive results, but left many issues unresolved. Extensive agricultural subsidies used by our competitors, related to both domestic and export promotion programs and their distorting effect on international trade, were virtually ignored. In addition, high tariffs on some major Canadian export products were retained. There have been some suggestions that the multilateral approach, as pursued through General Agreement on Tariffs and Trade (GATT) negotiations, is too complex, may not be fully able to reduce non-tariff barriers, and does not address adequately sectors of particular importance to Canada, especially as they relate to the United States.

Proposed Federal Options for Trade Relations with the United States

The federal discussion paper presents certain basic options which might be pursued:
a) The Status Quo;
b) A Sectoral Approach; and
c) A Comprehensive Bilateral Arrangement.

The Status Quo – Alberta believes that Canada should no longer accept the status quo. The federal discussion paper is correct in stating that "Continuation of the present situation may not adequately serve Canadian economic interest with the United States in a tougher international environment." Canadian trade policy related to its most important market cannot be founded upon a series of ad hoc measures responding to a growing list of trade complaints or other measures which disrupt access to the United States market (for example lumber, pork, potatoes). Although Canada has been relatively successful in minimizing the impact of trade complaints on Canadian industry, these efforts nonetheless require the mobilization of considerable resources, and new efforts have to be mounted to demonstrate benefits to the United States on each issue. Canada cannot continue to drift in this fashion.

A Sectoral Approach – A sectoral initiative would focus on bilateral free trade for only a limited number of specific industries. The federal discussion paper clearly outlines the problems with this approach, including the issues of balance and symmetry, cross sectoral trade-offs, and compatibility with multilateral obligations. From Alberta's perspective, it is clear that the sector approach may not adequately meet Canada's needs. In any event, the prospects for substantive action are unlikely.

A Comprehensive Bilateral Agreement – Alberta is convinced that the current mood and climate are conducive to pursuing a comprehensive free trade arrangement with the United States.

In considering all these options, it must be recognized that none is risk-free, including the status quo.

A Time for Change

There is a rejuvenated spirit in the country. There is a sense of confidence in Canada that Canadians can compete in the international trade arena.

The major concerns expressed about increased Canada-United States economic ties have focussed on how such ties might undermine Canada's political and cultural sovereignty and identity. However, most Canadians recognize that the historical concerns expressed in the first century of Canada's existence

no longer restrain Canada's progress in its second. Concerns about being "swallowed up" by the United States, or being "dominated", or having our resources "exploited" were the concerns of a young, insecure, small, developing country. Many Canadians recognize what Canada can accomplish if it is willing to take on the challenge of competition.

Canada has matured. This decade has seen the development of a new Canadian Constitution that enshrined a concept of federalism that is unique in the world. Mature provincial governments have the capability of building on their strengths. Canada's constitutional framework, with provincial jurisdiction and responsibility for many important areas, including resource ownership and management, and the unique nature of federal-provincial co-operation, consultation and agreement, provide a political and economic framework that is truly Canadian, and only Canadian.

Canada's role internationally has matured as well. Canada is a participant in the economic summits of the seven leading western industrialized countries, and is a member of the quadrilateral meetings of trade ministers which provide much of the impetus to international trade discussions. Canada's role in a wide variety of international organizations has often been recognized as providing a distinctive and useful contribution to many issues – whether as a peace-keeper, provider of aid, leader in the Commonwealth, or consensus-builder.

Principles for a Canada-United States Free Trade Arrangement

Alberta advocates a Canada-United States free trade arrangement to allow goods and services to move across national boundaries without discrimination, and unimpeded by tariffs, special taxes, and non-tariff barriers.

In pursuing a Canada-United States free trade arrangement the following principles should be observed:

- The rights and obligations of both countries under the General Agreement on Tariffs and Trade (GATT) should be maintained. A comprehensive arrangement which provides for the removal of tariffs and non-tariff barriers on substantially all bilateral trade would not be contrary to the GATT (Article 24 of the General Agreement allows for the establishment of a free trade area), nor jeopardize future GATT negotiations. The federal paper points out that "the choice for Canada is not between multilateral or bilateral approaches to trade, but how both avenues can be pursued in a mutually reinforcing manner."
- The free trade arrangement should contain the necessary safeguard measures to provide for the orderly transition to free trade. Any existing Canada-United States safeguard agreements should be reviewed to determine the degree to which they should be incorporated or modified in the context of a comprehensive Canada-United States free trade arrangement.
- The arrangement should include an adjustment period to allow industry the phase-in time to effect the necessary changes within a free trade climate. Alberta recognizes that adjustment assistance will have to be provided to certain sectors as a result of changing economic climate. The assistance should be addressed specifically to the structural problems of the sector involved. It should be of limited duration, and result in a sector which can compete within the free trade arrangement without restriction.
- The arrangement should allow for the establishment of a new mechanism at both the policy and administrative levels to develop and administer the arrangement and to allow for investigation, analysis and resolution of bilateral issues.
- A framework should be established to ensure federal-provincial co-operation in developing the arrangement. As noted by the Premiers in their communiqué from their New Brunswick meeting in 1977, many issues of direct economic importance to the provinces would be included, and many of their constitutional responsibilities and regulatory activities would have to be addressed.
- A Canada-United States free trade arrangement should make provision for agreements which already exist. The existing Defence Production Sharing Arrangement and the Auto Pact could be maintained separately, or incorporated without modification, in a broader arrangement. Other agreements or treaties would have to be reviewed to determine whether they should be continued as separate agreements, modified, or incorporated into a broader arrangement.

The Benefits to Canada of a Canada-United States Free Trade Arrangement

Expanding and securing access to the United States market will play a major role in the continued growth and development of the Canadian economy. The major benefits to Canada of a free trade arrangement are addressed in the federal discussion paper and have been presented in numerous studies by many organizations and research institutes. These include:

Industry Restructuring

Increased competition and secure access to a larger market is expected to provide Canadian industry with the stimulus to undertake a much-needed industrial restructuring program. Such a nation-wide program should significantly improve Canada's overall international competitiveness. A larger market for Canadian products will allow for previously unattainable economies of scale, product specialization, longer production runs, and productivity increases. Product specialization can be expected to lead to increased Canadian competitiveness as production shifts to those area which enjoy a comparative advantage. A policy of encouraging world product mandates for subsidiaries of multi-nationals could facilitate product specialization. Increased Canadian competitiveness could generate movement toward production of high value-added processed goods. This will also have the important effect of reducing the threat of competition form newly industrialized countries to a Canadian economy that relies on traditional industries. The federal discussion paper suggests that bilateral free trade with the United States could increase Canadian real income by five to ten per cent, and new jobs would be created in substantial numbers. It has been estimated that each billion dollars of increased exports represents about 16,000 new jobs.

Consumer Benefits

Consumers will benefit directly from increased product selection and lower product prices. Removal of a wide range of barriers-induced costs (direct costs of subsidies and inefficient use of resources) will result in cost reductions. Some studies have shown that costs of protectionist policies are borne primarily by western and Atlantic provinces because they do not enjoy the benefits of increased employment associated with a protected manufacturing sector.

Technology Enhancement

A larger market is needed to provide a return on large scale investment in research and development. Thus, under a free trade arrangement, Canada could benefit from increased investment in research and development.

Trade Security

The reduction of uncertainties caused by the prospect of trade complaints, contingency protection, and potential harassment through a variety of means will allow Canadian industries to initiate long-term marketing and investment plans to take advantage of existing and new opportunities.

Costs to Businesses

The cost of purchasing capital goods or equipment from the United States will be lowered and will ultimately be reflected in more competitive production and domestic end-product prices.

Sector Benefits

The following sectors have been identified as those which would benefit from improved access to the United States market:

- agriculture and food products;
- oil and gas;
- mass transportation, telecommunications, and heavy electrical equipment;
- petrochemical products;
- fish products;
- forest products;
- steel products; and
- equipment manufacturing industries, such as agricultural, and oil and gas equipment.

With expanded access to the United States, resource and resource-based industries will create considerable additional spin-off benefits to domestic industries. These spin-off benefits would result from the higher level of capital investment and construction, and the supply and servicing required for these industries, all of which would generate employment.

Expanded World Trade

There is a strong possibility that a free trade arrangement between Canada and the United States could encourage movement toward free trade initiatives during future multilateral trade negotiations.

Conclusions

Canada should move now to take advantage of the opportunity which currently exists, and to develop a plan for the initiation and implementation of discussions with the United States on a free trade arrangement.

As a first step the Prime Minister, in his meeting with President Reagan in Quebec on March 17th, should initiate discussion of a comprehensive free trade arrangement and solicit the President's reaction.

The extent of the current relationship between Canada and the United States, the need to maintain access, the opportunity to expand and pursue new markets, and the need to provide a dramatic push for the resurgence of the Canadian economy require that this initiative now be taken. It may be decades before there is a better time than now for both countries to debate and explore the benefits of a comprehensive free trade initiative.

Canada's close ties to the United States are acknowledged as an important asset and efforts should be undertaken to enhance that relationship. From Alberta's perspective, a free trade arrangement is a viable method of overcoming obstacles to the revitalization of our economy. The benefits from expanded trade, the effect on industrial restructuring, rationalization, modernization, technological enhancement, productivity improvement, and real income growth can be realized if a free trade arrangement is put into place.

There are many complex issues involved and they are not without their risks, but Canada can and must face those risks. Canada must put aside the cautious attitudes and fears that characterized a young country attempting to establish its own identity. Canada has matured and has the unique constitutional, cultural and political framework to allow it to consciously and deliberately strengthen its ties with the United States.

Alberta commends the federal government for stating its recognition of and support for provincial involvement in the determination of Canadian policy directions related to trade, and seeking provincial co-operation to define and advance Canadian interests in trade negotiations. Federal and provincial governments must now demonstrate their leadership and show that Canada has the self-confidence and political maturity to pursue a free trade arrangement with the United States.

40

Alberta

FEDERAL AND
INTERGOVERNMENTAL AFFAIRS

Office of the Minister

130 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403 427-2585

March 21, 1985

Honourable John Crosbie
Minister of Justice and
Attorney General of Canada
House of Commons
Parliament Buildings
OTTAWA, Ontario
K1A 0A6

Dear Mr. Crosbie:

Further to our discussions of March 10 in Toronto, I am pleased to provide you with a copy of the report of the Special Select Committee of the Alberta Legislative Assembly on Senate Reform. I also want to confirm Alberta's support in principle for your proposed limited constitutional amendment affecting the role of the present Senate in the federal legislative process.

As I believe both of us agree this limited initiative should not be viewed in any way as a final step in reforming the Senate. The Government of Alberta has long held the view that an effective second chamber is necessary in order for provinces and regions to be able to have a voice in the federal government's decision-making and legislative process as was the intent of the Fathers of Confederation. It is important that the federal and provincial governments commit to undertake meaningful discussions with the clear objective of reaching agreement on a reconstituted Upper House. The agenda should cover the full range of topics associated with comprehensive reform of the Senate including:

1 Function or Purpose of the Senate;
2 Method of Selection;
3 Basis of Representation; and
4 Powers.

Any joint commitment must spell out a reasonable time-frame to ensure that discussions are not open-ended. Although I would like to see the process begin as soon as possible, a reasonable timetable might be to have First Ministers meet one year after the proclamation of the amendment. This would give Ministers and officials time to prepare a proposal which fully incorporates the positions of all governments.

It would be highly desirable if this joint commitment to a process aimed at a comprehensive review of the Senate could be made by First Ministers as soon as possible. I ask that the proposed resolution not be introduced in the House of Commons until First Ministers have an opportunity to jointly discuss the process of reforming the Senate.

Yours very truly,

James D. Horsman, Q.C.
Minister

c.c. All Provincial Ministers
of Intergovernmental Affairs
Premier Peter Lougheed

Ottawa, K1A 0A
March 26, 1985

Dear Premier:

As you know, the Senate recently delayed passage of an important government measure, Bill C-11, an Act to provide borrowing authority. The Bill was sent to the Senate on December 21, 1984, after it was passed by the House of Commons with unanimous support. The Senate did not pass Bill C-11 until February 27, 1985.

This long delay in the passage of an important bill had serious financial implications for the Government: it generated uncertainty in the capital markets, led to international doubts at a time when the value of the dollar was dropping and caused disruptions to the debt program that have been reflected in higher borrowing costs.

Such obstruction of the Government's legislative program is unacceptable. It is repugnant for the Senate, a wholly appointed body, to block the bill of the House of Commons, which has been elected by the people of Canada and given a strong and clear mandate. Unfortunately, there is no guarantee that such actions will not be repeated. Indeed, the crisis over Bill C-11, coming so soon after the election, indicates that the Liberal majority in the Senate is prepared to try to prevent the Government from carrying out its mandate. The Government is determined this should not be allowed to happen.

As I indicated to you when we spoke on March 5, the Cabinet, on the recommendation of the Minister of Justice, has concluded that the best course would be to seek a constitutional amendment to curtail the Senate's legislative powers. I was encouraged by your indication of sympathy for the Government's predicament and by the support you expressed for an appropriate constitutional amendment. Following our conversation, federal and provincial officials met on March 8 to review a draft constitutional resolution. Mr. Crosbie has since spoken to most of his counterparts and several Premiers.

I am writing to transmit the revised text of a constitutional resolution on the powers of the Senate and to seek confirmation that your government will agree to introduce it in the legislative assembly of your province after it has been adopted by the House of Commons.

The proposed amendment would reduce the Senate's power over money bills to a suspensive veto of 30 days. "Money bills" would be defined in the Constitution and each such bill would be so certified by the Speaker of the House of Commons, whose opinion could not be challenged in court. The Senate would have a suspensive veto of 45 days over all other bills.

The government intends to table the Constitutional resolution in the House of Commons shortly after the Easter recess. I would hope it could be introduced in the legislative assembly of your province shortly after its adoption by the Commons.

I want to assure you that the Government of Canada does not see the proposed amendment as the ultimate solution to the Senate's current deficiencies. Please note that the preamble to the resolution therefore includes a commitment to hold a First Ministers' Conference before the end of 1987, the main purpose of which will be to consider thoroughly the future of the Senate. That Conference will review all aspects of the Senate, including its method of selection and powers. To prepare for the Conference, I would propose that the Minister of Justice establish a Continuing Committee of Ministers on Senate Reform soon after proclamation of the amendment.

The Government believes it is important to take steps as soon as possible to secure a constitutional amendment on the powers of the Senate. I therefore suggest that we review this matter and seek agreement on it during our breakfast meeting on April 4.

Yours sincerely,

Brian Mulroney

The Honourable Peter Lougheed,
Premier of Alberta,
Legislature Building,
Edmonton, Alberta
T4K 2B7

Appendix VIII

Energy Pricing and Taxation Understanding

March 27, 1985

The Governments of Canada, Alberta, Saskatchewan, and British Columbia are agreed on the need to modify the existing taxation and pricing regime in order to stimulate investment and job creation in the energy sector in Canada and to increase the degree of energy security for all Canadians. The four Governments further agree that these objectives can best be met within a regime of market sensitive pricing for both oil and gas and within a fiscal regime based on profit sensitive taxation. To this end, the four Governments agree to replace existing arrangements covering the pricing and fiscal treatment of oil and gas with the provisions set out below. These provisions deal respectively with:

- Deregulation of Crude Oil Prices
- Domestic Natural Gas Pricing
- Fiscal Principles

Deregulation of Crude Oil Prices

IT IS AGREED that market pricing of oil is desirable and will be implemented as follows:

1 For the purposes of this understanding, "oil" means crude oil, pentanes plus, synthetic oil, and crude bitumen, unless otherwise stated.

2 Oil may be purchased from Canadian or foreign sources without restrictions on volume, and at prices freely negotiated between buyers and sellers, subject to Clauses 5 to 9

3 The Government of Canada agrees, subject to Clauses 8 and 9, to remove the export charges on oil and petroleum products, the Oil Import Compensation Program and the Petroleum Compensation Charge.

4 Movement of crude oil and petroleum products between provinces, and for import and export purposed, shall be in accordance with federal and provincial legislation established for safety and/or environmental reasons.

5 Concerning the role of the National Energy Board (NEB):
i) Consistent with the move to market pricing, volume and price restrictions on short-term crude oil and petroleum product exports will no longer be required;
ii) The NEB will issue non-restrictive licences for short-term exports, on an after-the-fact basis, to permit monitoring of volumes and prices. The NEB will report monthly to the Minister of Energy, Mines and Resources on these oil export matters. Distortions in the competitive market or particular problems associated with a free market which are identified through such monitoring will be addressed by the Minister of Energy, Mines and Resources as they arise, following consultation with provincial governments;
iii) The NEB will, in appropriate instances, ensure that export contracts for periods exceeding one month contain *force majeure* clauses;
iv) Longer-term exports, of more than one year for light crude and petroleum products and two years for heavy crude (as defined by the NEB), will continue to require prior approval of the NEB and the Governor-in-Council;
v) The NEB's practice of allocating light crude oil among Eastern Canadian refineries will be discontinued.

6 The producing provinces shall retain their power to control production of crude oil to ensure good conservation practice, or, in the event of market conservation practice, to ensure equitable sharing of production.

7 Consistent with the spirit of deregulation, the Alberta Petroleum Marketing Commission will cease to act as the exclusive agent for the marketing of the Crown lessees' share of crude oil and pentanes and will, in its role as buyer and seller of oil in Alberta, be in competition with buyers and sellers of oil in the private sector.

8 In the event that supplies of crude oil and petroleum products to Canadian consumers are significantly jeopardized, the federal government, after consultation with producing provinces, may restrict exports to the extent it considers necessary to ensure adequate suplies to Canadians.

9 In the event of international oil market disturbances that result in sharp changes to crude oil prices, with potentially negative impacts on Canada, the Government of Canada, following consultations with provincial governments, will take appropriate measures to protect Canadian interests.

10 These principles, effecting oil price deregulation for Canada, will come into effect on June 1, 1985.

Domestic Natural Gas Pricing

IT IS AGREED that a more flexible and market-oriented pricing mechanism is required for the domestic pricing of natural gas. It is recognized that a new domestic pricing regime that is equitable to the producing, transporting and distributing components of the industry, and is acceptable to producing and consuming provinces, requires extensive consultation with the interested parties. To facilitate this consultation and develop a new market-sensitive pricing system it is agreed that:

1 The Alberta border price will remain at its present level pending the introduction of a new domestic natural gas pricing regime on or before November 1, 1985.

2 A task force of senior officials from the federal government and the producing provinces will work with all interested parties, including consuming provinces and industry, to develop a more flexible market-sensitive pricing mechanism on or before November 1, 1985;

3 The subsidy of TransCanada Pipeline tariffs under the federal Transportation Assistance Program will be terminated in conjunction with the elimination of the Canadian Ownership Special Charge;

4 The Natural Gas Market Incentive Plan under which Alberta producers provide a price discount to industrial customers in Eastern Canada will be extended for one year until April 30, 1986

5 The Market Development Incentive Payments by the Province for Alberta to the Government of Canada will terminate following payments for gas delivered up to April 30, 1986, or to a maximum level of $160 million in additional payments, whichever comes first.

Fiscal Principles

IT IS AGREED that changes to the fiscal regime for the petroleum industry are needed:

- to promote industry investment which furthers energy security and economic growth; and
- to ensure that the producing industry is taxed on the basis of profits rather than revenues.

Consistent with these objectives, it is agreed that the following measures will be implemented as soon as possible:

1 The Government of Canada will remove the following taxes or charges: the Natural Gas and Gas Liquids Tax (which includes the Natural Gas Export Levy), the Incremental Oil Revenue Tax, the Canadian Ownership Special Charge, the Crude Oil Export Charge and the Petroleum Compensation Charge.

2 The Government of Canada will not introduce any special tax on the oil and gas producing industry in order to recover the deficit in the Petroleum Compensation Account.

3 The Petroleum Incentives Program will terminate one year from the date of announcement of this understanding. Notwithstanding this termination, there will be 'grandfathering' arrangements for existing Exploration Agreements.

4 a) For new production of oil, natural gas and gas liquids on or after April 1, 1985, the Petroleum and Gas Revenue Tax will not apply. Further, subject to federal approval, the Petroleum and Gas Revenue Tax will not apply to natural gas or oil consumed by or produced by major new energy projects undertaken on or after April 1, 1985.

The PGRT levied on prior production will be phased-out according to the following schedule:

Effective Tax Rate (%)

Period	Conventional Oil and Gas	Synthetic Oil
January 1/86 – December 31/86	10.0	6.0
January 1/87 – December 31/87	8.0	4.0
January 1/88 – December 31/88	6.0	2.0
January 1/89 and thereafter	.0	.0

b) In addition to the small producers credit, the first $10,000 of an individuals' resource income will not be subject to the Petroleum and Gas Revenue Tax.
c) The current EOR fiscal regime will continue to apply.

5 The parties to this understanding agree that the phase-out of the PGRT is required to enhance the producing industry's capability to re-invest in the development of new oil and gas resources for all Canadians. Canadian security of supply requires that a high level of re-investment occur. The federal and producing governments expect such re-investment will occur and will pursue an active program of monitoring industry re-investment to ensure that Canada's energy security objectives are realized.

6 To assist companies which are not currently paying corporate income tax, the Government of Canada will allow new exploration and development write-offs which are not immediately usable under the federal corporate income tax to reduce the Petroleum and Gas Revenue Tax otherwise payable. The reduction will be calculated as 30 per cent of the unused amount of write-offs related to new expenditures in the year. The reductions will be applied to PGRT payable on both production income and resource royalty income, for corporations only, and will be taken after the 'small producer credit' calculation.

7 The Government of Canada agrees that tax-based incentives designed to stimulate investment in Canada's oil and gas industry shall be of general application to the industry without discrimination as to the location of the activities in question or as to ownership and control.

8 The Government of Canada will consult with the maritime provinces and Territorial governments on appropriate royalty incentives to help spur frontier petroleum investment.

9 The parties to this understanding agree that the benefits resulting from aforementioned changes to the federal tax regime shall flow through to the oil and gas industry. The parties also agree that any net benefits resulting from crude oil price decontrol, as determined by their respective jurisdictions, shall flow through to the industry. The calculation of the net benefits shall take into account the termination of the crude oil export charge.

10 The parties to this understanding reserve the right, as resource owners, to establish and adjust from time to time their royalty and incentive systems for the development of oil and gas within their respective jurisdictions. Such adjustments, including changes of APIP, shall be consistent with the objective expressed above of flowing through to industry the net benefits of the fiscal and price decontrol changes agreed to herein.

Annex

For the purpose of this understanding new production qualifying for PGRT exemption includes:

- production from new wells spudded on or after April 1, 1985,
- incremental production, as determined by the fixed ratio method, from pools or portions of pools subject to enhanced recovery schemes (including waterflood schemes) commencing operation on or after April 1, 1985.

Subject to more precise definition by federal authorities, recipients of this exemption will provide sufficient proof of new production sales and cost data to verify the exemption.

March 27, 1985

Appendix IX

Canada-Alberta Economic and Regional Development Agreement

June 8, 1984

THIS AGREEMENT made this eighth day of June, 1984

BETWEEN:
THE GOVERNMENT OF CANADA (herein referred to as "Canada"),
represented by the Minister of State for Economic and Regional Development,

OF THE FIRST PART,

AND:
THE GOVERNMENT OF THE PROVINCE OF ALBERTA (herein referred to as "Alberta"), represented by the Minister of Federal and Intergovernmental Affairs,

OF THE SECOND PART

WHEREAS Canada and Alberta acknowledge provincial economic diversity as a source of strength in the Canadian economy – by building on natural resource and economic strengths and human talents, each province can make its unique contribution to Canada's economic future; and

WHEREAS the federal government and provincial governments have shared constitutional responsibilities in certain areas of economic development; and

WHEREAS even where the division of constitutional responsibilities is clearly defined, one government's economic policies may have a significant impact upon those of another; and

WHEREAS both orders of government, through their various programs, commit substantial resources to the furtherance of economic and regional development; and

WHEREAS Canada is desirous of increasing federal sensitivity and responsiveness to regional economic development issues, concerns and opportunities; and

WHEREAS Canada and Alberta are jointly agreed on the desirability of promoting and facilitating co-operative relationships in the field of economic development; and

WHEREAS the Governor-in-Council by Order-in-Council P.C. 1984-1882 of the 31st day of May has authorized the Minister of State for Economic and Regional Development to enter into this Agreement on behalf of Canada; and

WHEREAS Canada and Alberta jointly agree to co-operate on the basis of the guidelines and framework established in this Agreement;

NOW THEREFORE the parties covenant and agree as follows:

1.0 Definitions

1.1 In this Agreement:

(a) "Course of Action" means the actions identified pursuant to paragraph 4.2.1(b);

(b) "Economic and Regional Development Committee" means the committee established pursuant to paragraph 4.3.1;

(c) "Federal Minister" means the Minister of State for Economic and Regional Development and includes anyone authorized to act on his behalf;

(d) "Provincial Minister" means the Ministers of Federal and Intergovernmental Affairs of Alberta and includes anyone authorized to act on his behalf;

(e) "Ministers" means the Federal Minister, the Provincial Minister and the appropriate Implementing Ministers of Canada and Alberta;

(f) "Implementing Ministers" means the Ministers for Canada and the Ministers for Alberta having the responsibility and authority for the implementation of any actions contemplated in the Course of Action;

(g) "Memorandum of Understanding" means an agreement contemplated by Paragraph 4.4.2 made under the authority of the appropriate Implementing Ministers;

(h) "Subsidiary Agreement" means an agreement contemplated by Paragraph 4.4.3 made under the authority of the appropriate Implementing Ministers;

(i) "Province" means the Province of Alberta;

(j) "Fiscal Year" means the year which commences on April 1 of any year and terminates on March 31 of the following year.

2.0 Purpose of Agreement

2.1 The purpose of this Agreement is to establish a means for achieving greater federal-provincial co-operation and co-ordination in realizing the economic and regional development potential of the Province of Alberta.

3.1 The economic and regional development objectives and priorities of the Province, as outlined in Schedule A of this Agreement, are to:

(a) foster an environment whereby the Province can realize its economic potential by capitalizing on its strengths, including the development of human resources as an integral element of economic and regional development;

(b) promote balanced development among the regions of the Province and the equitable distribution of the benefits of such development;

(c) lead to continued diversification of the provincial economy.

3.2 The objectives of this Agreement are to promote joint planning and joint action between Canada and Alberta in pursuing the economic and regional development priorities of the Province, and more particularly to promote joint planning and joint action in those areas where it would be advantageous:

(a) to tailor federal programs and policies in line with the development opportunities and priorities of the Province;

(b) to create mutually supportive and reinforcing development activities;

(c) to strengthen multi-departmental co-ordination within and between the two governments;

(d) to reduce duplication and unnecessary regulation.

4.0 Operation of this Agreement

4.1 Course of Action

4.1.1 In the interests of bringing about a greater degree of joint planning and joint action on the objectives and priorities, as described in Schedule A, Canada and Alberta shall develop an annual Course of Action which identifies mutually agreed upon work plans.

4.2 Annual Meeting of Ministers

4.2.1 Ministers shall meet at least annually to:

(a) review all matters relating to economic and regional development in the Province, including:
i) development prospects of the Province;
ii) provincial development priorities;
iii) national development priorities as they are likely to affect the Province;
iv) the policies and programs of both governments as they bear on these prospects and priorities.

(b) review progress on and approve the "Course of Action" which, inter alia, may include:
i) steps which Ministers intend to take regarding joint economic studies or joint planning in support of the economic and regional development of the Province;
ii) steps which Ministers intend to take in the application, amendment or redirection of those programs and policies influencing the economic and regional development of the Province; or
iii) steps which Ministers intend to take in developing new policy or program initiatives where none presently exist.

(c) review the general operation of this Agreement.

4.3 Economic and Regional Development Committee

4.3.1 Canada and Alberta shall establish a federal-provincial Economic and Regional Development Committee comprising an equal number of representatives and co-chaired by one individual appointed by the Federal Minister and one individual appointed by the provincial Minister.

4.3.2 The Economic and Regional Development Committee shall meet as required, or at such times as directed by the Ministers, to co-ordinate the joint planning and joint action under this Agreement, advise Ministers of progress and action required, and implement Ministerial decisions.

4.3.3 The Economic and Regional Development Committee shall call upon individuals as resource people as required depending on the subject matter of any initiative.

4.4 Instruments

4.4.1 In addition to pursuing maximum and effective utilization of existing programs of their respective departments and agencies to implement measures identified in the Course of Action, Canada and Alberta may also use the following instruments as deemed appropriate.

4.4.2 Memoranda of Understanding
Where Ministers, under this Agreement, wish to establish a procedure or express an intent to undertake particular action with respect to a policy, program, strategy, or activity, the appropriate Implementing Ministers may enter into a Memorandum of Understanding describing the procedures or the action they intend to take.

4.4.3 Subsidiary Agreements
Where Ministers, under this Agreement, wish to undertake a program involving both governments, the appropriate Implementing Ministers shall negotiate and enter into a Subsidiary Agreement.

4.4.4 Subsidiary Agreements may provide for:
(a) co-ordination of existing federal and provincial policies, programs or activities in support of an agreed priority;
(b) support, including financial assistance not available under other existing government programs.

4.4.5 Each Subsidiary Agreement shall include:
(a) specification of the activities and responsibilities of each government;
(b) the proportion of any costs for which each government shall be liable, the maximum expenditures to be incurred and, where appropriate, the procedure for submission and reimbursement of claims;
(c) provision for a Management Committee, consisting of at least one senior officer designated by each of the Implementing Ministers, to administer and manage the Subsidiary Agreement. The Federal Minister and the Provincial Minister may each designate a senior officer as an ex officio member of each such Management Committee;
(d) appropriate provisions regarding evaluation, and Canada and Alberta shall provide each other with such information as either party may reasonably require in order to evaluate the operation of any Subsidiary Agreement.

4.5 Public Information Program

4.5.1 Canada and Alberta will develop a public information program that will provide, wherever possible and in a manner satisfactory to both the Federal Minister and the Provincial Minister, for the permanent and continuing recognition of the respective contributions of Canada and Alberta under this Agreement and under any Subsidiary Agreement.

5.0 General

5.1 The term of this Agreement shall be from the date of execution of this Agreement to the 31st day of March 1994.

5.2 Notwithstanding subsection 5 1, this Agreement may be terminated at the end of any fiscal year following the expiration of at least three years from the date of execution hereof, by either party giving to the other at least one clear fiscal years' notice in writing thereof.

5.3 This Agreement may be amended from time to time by mutual consent of the Ministers in writing. Pursuant to the annual meeting of Ministers, it is anticipated that Schedule A will be amended and kept updated on a continuing basis.

5.4 Any Subsidiary Agreement or Memorandum of Understanding which has not been completed on expiration or termination of this Agreement shall continue in force and effect until completion.

5.5 The provision of financing by Canada and Alberta for the implementation of initiatives made pursuant to this Agreement is subject to the Parliament of Canada and the Legislature of the Province of Alberta having appropriated funds for such financing for the fiscal year in which such financing is required.

5.6 No member of the House of Commons, the Senate or the Legislative Assembly of the province shall be admitted to any share or part of this Agreement or to any benefit arising therefrom.

IN WITNESS WHEREOF this Agreement has been executed on behalf of Canada by the Minister of State for Economic and Regional Development and on behalf of Alberta by the Minister of Federal and Intergovernmental Affairs.

GOVERNMENT OF CANADA AND GOVERNMENT OF ALBERTA

Minister of State for Economic and Regional Development	Minister of Federal and Intergovernmental Affairs

IN THE PRESENCE OF:

Witness	Witness

Schedule "A"

Introduction

Schedule "A" outlines the economic profile of Alberta, the strengths which can be built on, the constraints to development, and the broad economic and regional development objectives of the Province.

Alberta's Economic Profile

Alberta's economy has been tied closely to two primary industries: agriculture and energy resources. Prior to 1947, the main stimulus for the Alberta economy was the agricultural sector. In the post war period, the exploration, development and production of oil and natural gas became a second source of economic growth.

Investment has played a crucial role in Alberta's economic growth. Insufficient domestic investment capital has resulted in the need to attract investment from foreign sources. Foreign capital fostered an agricultural export economy and allowed for the rapid development of the petroleum industry.

The prosperity of the Province has historically been dependent upon a few commodities some of which are susceptible to wide swings in demand as a result of national and international conditions. The vulnerability of the provincial economy to external events has precipitated dramatic changes in economic conditions. In recent years, efforts have been made to diversify the Alberta economy and minimize its vulnerability to the price swings of specific mainstay commodities.

The past decade has seen a broadening of Alberta's secondary manufacturing base and the establishment of modern, efficient manufacturing industries, especially in such areas as the supply of products to the energy resource sector, in further processing of agricultural products and other natural resources, and in high technology industries. Alberta also has developed a comparative advantage in livestock and the production of grains, oil seeds, meat and a variety of other agricultural products. Development of Alberta's extensive forest resources has just begun. Increasing the international competitiveness of Alberta forest products will contribute to further expansion of that sector. In addition, services are becoming an important new sector in Alberta's export trade. These services include management and engineering, and expertise in heavy oil technology, sour gas processing, deep well drilling and synthetic oil facilities. Alberta competes internationally in certain advanced technology industries such as all-purpose vehicles and petrochemical plants. The introduction of new technologies in food processing, cold climate materials, equipment manufacture, and the energy fields will contribute to the strengthening and diversification of exports.

Strengths and Constraints

The achievement of Alberta's potential will benefit Canada as a whole. In order to maximize Alberta's opportunities, economic policies must be adopted which build upon existing strengths, develop new strengths and work to overcome constraints.

The most important strength of the Alberta economy lies in the availability of natural resources – renewable and non-renewable. The Province's advantages can be found in further development of natural gas, oil sands, heavy oil, coal, agriculture, food processing and forest products. Alberta's rich endowment of natural resources provides opportunities for diversified growth to supplement the primary production. Processing and upgrading of resources, and the export of knowledge and sophisticated technology in certain areas, are important. Economic potential can be realized through the further utilization and development of a skilled labour force, a vigorous small business sector, further utilization of tourism potential, and the proximity to the central west U.S. markets for key export commodities, such as natural gas, agricultural produce and food.

Alberta has several constraints which must be addressed in order to realize the comparative advantage which the Province possesses for many commodities. The provincial market is too small to absorb the goods and services produced in Alberta. As a result, Alberta is dependent on the export of goods and services to other parts of Canada and the world. Exports to the rest of Canada are estimated to be of the same order of magnitude as Alberta's international exports, bringing Alberta's dependency on outside markets to nearly one-half of the provincial gross domestic product. In the case of agricultural products the dependency is significantly higher. The dependency on exports has made Alberta vulnerable to external events. Continued diversity of Alberta products and markets is required to ameliorate such impacts.

Although exports are crucial to the economy of the Province, Alberta is located far from main population centres and the major international trade routes to important overseas markets such as Europe, South America and Asia. As a land-locked Province, Alberta is faced with relatively high transportation costs which, combined with underdeveloped infrastructure, constrains the maintenance of international competitiveness.

Many of Alberta's future development prospects – oil sands, coal mining, petrochemicals, high technology, value added agricultural produce – are capital intensive. A climate conducive to encouraging new investment capital from domestic and foreign sources is necessary.

In the past decade, great strides have been made toward regional diversification of economic development within the Province. However, Alberta is still faced with the task of further reducing the regional disparities and providing benefits of growth to all regions and communities in the Province. Moreover, efforts must continue to ensure all individuals, including those of Native ancestry and women, are given an equal opportunity to share in the economic benefits.

Alberta is endowed with outstanding geographic features which lend themselves to leisure and recreational pursuits. With many national parks within Alberta's boundary, co-operative action between the federal and provincial governments is required to build upon these natural resource strengths.

The importance of science and technology in enhancing Alberta's productivity and international competitiveness must be recognized. Research and development by themselves have little economic benefit. Results have to be put in practice or commercialized in order for society to reap significant benefits. Therefore, encouragement of research and development is necessary but not sufficient – the adoption of new technology must not only be encouraged but must also, on balance, be successful. While leadership in applied research and product innovation must rest with the private sector, governments can play an important role as catalysts in ensuring that the necessary capacity to engage in research is maintained and that the new technologies needed to maintain international competitiveness are developed and adopted. It is evident that Alberta has placed a very high priority on science and technology expenditures within the Province. However, further federal-provincial co-operative efforts will be required if the challenge of technology is to be fully met.

Conclusion

In seeking to further the economic and regional development of the Province, efforts will be directed toward the following priority objectives:

a) fostering an environment whereby the Province can realize its economic potential by capitalizing on its strengths, including the development of human resources as an integral element of economic and regional development;

b) promoting balanced development among the regions of the Province and the equitable distribution of the benefits of such development;

c) the continued diversification of the provincial economy.

Appendix X

News Releases

Re: Alberta Funding for Asia Pacific Foundation
Thursday, August 16, 1984

Jim Horsman, minister of Alberta Federal and Inter-governmental Affairs has announced a $1 million funding commitment to the newly-created Asia Pacific Foundation of Canada. Alberta will provide an annual grant of $200,000 for the next five years toward the establishment of the Foundation.

The Asia Pacific Foundation has been created to advance Canadian knowledge and understanding of Asia, to promote knowledge and understanding of Canada in the Asia Pacific region, and to intensify and broaden co-operation between all private and public sectors in Canada and their counterparts in the Asia Pacific region. The Foundation, headquartered in Vancouver, will develop and sponsor programs in the fields of culture, education, business and public affairs. It will be funded by the federal and provincial governments, and the private sector.

Alberta has vital interests in Asia including trade in agri-cultural products, coal, sulphur, oil and gas equipment and technology, and petrochemicals, and in the attraction of investment and joint ventures. Premier Peter Lougheed visited Asia in the summer of 1983 to pursue these opportunities, and these were stressed by the Premier during his speech to the Pacific Rim Opportunities Conference in Calgary in October. The recent White Paper on an industrial and science strategy for Albertans points out that the Pacific Rim has now become a major market opportunity for Alberta.

In announcing the province's support for the Foundation, Mr. Horsman called attention to Alberta's important affiliations with the provinces of Heilongjiang in China, Hokkaido in Japan, and Gangweon in Korea. These long-standing special relationships involve intensive co-operation across a wide variety of interest areas, many of them based on the similarities in climate and resources that characterize these provinces.

"The activities of the Asia Pacific Foundation, in providing an infrastructure of understanding and co-operation between Canada and Asia, will closely parallel the activities involved in Alberta's special relationships. Alberta has benefitted substantially from its association with these Asian provinces, in terms of increasing trade opportunities, and heightening cultural awareness and international understanding," he said.

Re: Tenth Anniversary of Alberta's Special Relationship with Gangweon, Korea
Friday, August 17, 1984

Jim Horsman, minister of Alberta Federal and Inter-governmental Affairs, has accepted the invitation from the governor of Gangweon to represent Alberta at ceremonies to commemorate the tenth anniversary of Alberta's special relationship with that province in Korea.

The majority of the official activities, presided over by Governor Kim Hyung Bae and Vice-governor Ahn Chee Soon, will take place in the capital city of Chuncheon on Wednesday, August 29. Presentations to be made to the people of Gangweon by Mr. Horsman on behalf of the people of Alberta include a scholarship for graduate studies in agriculture at an Alberta university; a bronze sculpture, entitled "The Buckaroos", by Lethbridge artist Don Toney; and a specially designed flag symbolizing the relationship.

As well, Mr. Horsman will open a 44-piece exhibition of Alberta paintings on display at the Children's Centre Gallery. The exhibition was organized and co-ordinated by the Alberta Society of Artists, in co-operation with Alberta Culture.

Mr. Horsman will meet with various government and civic officials, and educators in Chuncheon, Kangnung, Sochko, and Yongyang to discuss matters of interest relating to the special relationship and to exchange ideas for increasing activities.

Mr. Horsman explained that "Governor Kim is confident that these events will serve as an excellent opportunity to promote the further development of our affiliation and I concur. We're pleased with the exchanges that have taken place and are being planned in the areas of education, culture, sports and recreation, and particularly agriculture. Trade opportunities increase as a result of the trust generated through the relationship."

The original proclamation of understanding between Alberta and Gangweon was signed by Premier Lougheed in 1974. Other formal relationships exist with Hokkaido in Japan, and Heilongjiang in China.

A special delegation from Gangweon, headed by Vice-Governor Ahn, will visit Alberta for reciprocal ceremonies which will take place on Wednesday, September 26 at Government House in Edmonton.

Re: Capital Participation by Hokkaido Takushoku Bank of Japan in the Bank of Alberta

December 18, 1984

Jim Horsman, minister of Alberta Federal and Intergovernmental Affairs, has expressed his pleasure at the announcement of capital participation by the Hokkaido Takushoku Bank Ltd. of Japan in the Bank of Alberta. The provinces of Alberta and Hokkaido entered into a formal sister relationship in 1980.

"The special relationship between Alberta and Hokkaido has been extremely successful, and has led to a high level of trust between the people of our respective provinces. The affiliation of the new Bank of Alberta with Takushoku Bank, an international financial institution, adds another dimension to the development of the special relationship, " Mr. Horsman said.

Fred Sparrow, chairman, and Robert A. Splane, president of the Bank of Alberta, today announced that the Hokkaido Takushoku Bank had obtained a 10 per cent equity interest in Canada's newest bank, becoming the largest single shareholder.

Mr. Horsman commended Ivan Bumstead, director general of Alberta government operations in Japan and Korea, for his role in bringing the banks together. "This is an excellent example of the government identifying a business opportunity, and then allowing the private sector to proceed with the details," he concluded.

Re: Alberta Investment Seminar in Tokyo

January 29, 1985

Jim Horsman, minister of Alberta Federal and Intergovernmental Affairs, has announced that the province will sponsor an investment seminar on Thursday, February 7, 1984 in Tokyo to promote Japanese interest in Alberta. The seminar is expected to attract up to 300 participants from the Japanese business, industry, financial and government communities. It will be led by Provincial Treasurer Lou Hyndman, and minister of Energy and Natural Resources, John Zaozirny. It will be similar in purpose and content to the successful seminar held in New York in May, 1984.

Canada's minister of International Trade, James Kelleher, will be a featured speaker. Alberta private sector participants include Stan Davison, vice-chairman of the Bank of Montreal; Terry Allen, chairman of the management committee of Syncrude Canada Ltd. and senior vice-president of Canadian Occidental Petroleums Ltd.; Len Bolger, president of Shell Canada Chemical Company; and Reg Basken, national director of the Energy and Chemical Workers Union.

"The participation of these government, business and union leaders illustrates the importance that both the private sector and governments have placed on increasing investment and trade opportunities between Alberta and Japan," Mr. Horsman said.

"Japan is Alberta's second largest trading partner, and it is estimated that our exports currently exceed $700 million annually. As well, Japanese companies have shown an interest and involvement in various joint-venture projects with Alberta-based concerns, particularly in the energy sector," he explained. The seminar is timely given that the next Canada-Japan Businessmen's Conference will be held in Calgary in May, 1985.

Also co-operating in seminar activities are Canadian Ambassador Barry Steers, and Hisao Makita, chairman of Nippon Kokan and of the Canada Japan Committee of Keidanren, an influential business advisory group.

Prior to and following the seminar, Mr. Hyndman and Mr. Zaozirny will hold meetings with numerous Japanese private sector leaders. The ministers will be in Japan from February 3 to 9.

Appendix XI

Appearance by the Honourable Mr. Horsman, before the Committee of Supply, Alberta Legislature

April 30, 1984*

Mr. Deputy Chairman: Has the minister any opening comments?

Mr. Horsman: Mr. Chairman, I would like to take some time this evening to comment on the work of the Department of Federal and Intergovernmental Affairs and to highlight some of those items which are likely to be of concern and require action by the department in the current fiscal year.

The year ahead promises to be an interesting one in the area of intergovernmental relations. Indeed we may be entering a new era of federal/provincial relations with the resignation of Prime Minister Trudeau and an imminent federal election. We can expect to deal with a new Liberal prime minister for a brief period, and then following an early election, hopefully with a new Progressive Conservative Prime Minister, Brian Mulroney. There are likely to be new directions taken in intergovernmental matters, and the Department of Federal and Intergovernmental Affairs will have to follow the situation carefully to ensure that Alberta benefits from any new directions and actions.

Clearly the future must find governments in Canada continuing to grapple with economic issues. In recognition of this fact, in the fall of last year the government published Alberta in Canada: Strength in Diversity. In that document we pointed out the strengths and great potential of our nation and the importance of the private sector in achieving that potential. Our document recognized the important role federal and provincial governments have in providing the economic, social and political environment for sustained economic growth.

Intergovernmental relations must be understood and managed in ways which contribute to a stable and predictable environment. Given the high degree of interdependence between federal and provincial governments in important economic and fiscal policy areas, intensive intergovernmental co-operation and consultation will be required. Strength in Diversity sets out the principles and recommendations we believe will provide the framework for co-operative economic and fiscal federalism. These will also provide the foundation for our government's relations with a new government in Ottawa. Members will recall that copies of Strength in Diversity were distributed to members of the Royal Commission on the Economic Union and Development Prospects for Canada so they could be made aware of the government of Alberta's views on the appropriate general direction of Canada's economic development and intergovernmental relations.

On April 16 the interim report of the Macdonald commission, entitled Challenges and Choices, was released. We have reviewed that document and are making an assessment as to the most appropriate response by Alberta to the commission's interim report. Mr. Chairman, I would like to reiterate the concern expressed by our Premier on April 18 regarding this interim report. This government is concerned that "a report dealing with the economic challenges facing the country did not focus on the magnitude of the federal deficit" and the necessity to correct the federal budgetary imbalances which are crippling Canada. Furthermore it is of concern that the report did not emphasize the need to resolve vital issues of transportation and energy, both extremely important to the economic recovery of Alberta and Canada. This government is concerned that the final report of the commission must take into account Alberta priorities, particularly with respect to the role of governments in the economy, federal/provincial relations, and Alberta's economic development prospects.

Returning to Strength in Diversity, one of the major challenges this government has recognized is the need to promote international trade and to expand our share of international markets. I would like to point out that in that respect at least the federal commission's Challenges and Choices also identifies this issue as one of Canada's major challenges. The trading environment is undergoing rapid and significant changes, and Canadians must not only adapt to those changes but must also anticipate trade opportunities in this rapidly evolving environment. This is particularly relevant for Alberta. The province's economic growth and future prosperity depend on successful sales performance and participation in the international economy. Efforts must be made to improve our effectiveness in and to expand our share of fiercely competitive international markets.

I know that my colleague the Minister of Agriculture has already discussed some provincial agricultural trade initiatives, and I'm certain my colleagues, the ministers of Economic Development and International Trade, will do so during the course of their estimates. But from this department's perspective, I would like to emphasize the key role Alberta's foreign offices play in fostering the economic expansion of our international markets. Those offices enhance mutual awareness between Alberta and foreign countries and regions, they gather information, they represent Alberta's interests, and they assist private-sector trade initiatives.

*From Alberta Hansard, pages 586-598.

This year the Federal and Intergovernmental Affairs budget includes a new allocation, $25,000 to each of the London, New York, Tokyo, and Hong Kong offices, to enable them to hold investment seminars to facilitate contact and exchange of information regarding Alberta. The seminars will be of interest to a wide variety of individuals, including government, business leaders, cultural groups, the academic community, and the news media. The first of those day long seminars will be held on May 16 in New York, in co-operation with the Americas Society. At that time Premier Lougheed and several other prominent Canadian government and private-sector speakers, along with prominent Americans, will meet as panelists with a cross section of business leaders to examine economic and energy issues affecting Alberta and western Canada. Similar investment seminars are being planned in the Pacific Rim in Hong Kong and Tokyo. The Alberta offices in London, Tokyo, Hong Kong, New York, Houston, and Los Angeles will vigorously continue to fulfill the numerous important activities relating to promoting Alberta's trade and tourism.

The Alberta government is proud of the initiatives it has taken with respect to establishing special relationships with Heilongjiang in China – examples of which we have seen during the past few weeks – with Hokkaido in Japan, and Gangweon in Korea. These special relationships have resulted in numerous productive programs of exchange and co-operation, particularly through the departments of Agriculture, Culture, and Recreation and Parks. Our special relationship with Heilongjiang was important support in attracting The Great Trade Show and Cultural Exhibition of China to Alberta. Currently under way at the AgriCom here in Edmonton, the show has been very successful, attracting close to 40,000 visitors in its first week. As well, some 60,000 Alberta school children are attending the trade show as part of a special educational program.

As a result of Premier Lougheed's visit last fall to China and Japan and my visit in December to Korea, Japan and Hong Kong, the twinning relationships have received additional impetus. Members are familiar with the new promotional materials currently being produced to increase citizen awareness and participation in this unique Asia/Alberta exchange program. The Alberta government recognizes the expanding role these relationships play and will continue to play in promoting Alberta's interests in the Pacific Rim. I would like to point out that we are planning special activities in September of this year to celebrate the 10th anniversary of our relationship with Gangweon-do in Korea.

Mr. Chairman, Federal and Intergovernmental Affairs is charged with the primary responsibility for the administration of the General Development Agreement between the government of Alberta and the government of Canada. This agreement has provided the framework for joint government programming in support of provincially determined regional development objectives. The Nutritive Processing Agreement, which provides valuable support to projects that update our agricultural products, is a particularly important subsidiary agreement to the General Development Agreement. It plays an important role in strengthening the economic base of rural Alberta communities.

The department has been in the process of negotiating a new 10-year replacement agreement to the General Development Agreement, which I anticipate will be signed this spring. I am hopeful about this new agreement, which will be called the Canada/Alberta Economic and Regional Development Agreement. Its purpose will be to facilitate greater co-operation and co-ordination of all federal economic development activities in Alberta – and I emphasize, all of their economic development activities – unlike the General Development Agreement which only co-ordinated the activities of the former federal Department of Regional Economic Expansion. As was the case under the former agreement, the objective will be to ensure that federal policies and activities are complementary to and supportive of Alberta's economic priorities and programs, and are not set arbitrarily or unilaterally by the government in Ottawa.

Mr. Chairman, last year during the examination of the department's estimates, I provided a brief review of the discussions on aboriginal constitutional matters which had culminated in a First Ministers' Conference in March 1983. Hon. members will recall that in June of this last year, this Assembly passed an historic resolution to amend the Constitution as agreed to in the constitutional accord reached at the March conference. The March 8 and 9, 1984, First Ministers' Conference on Aboriginal Constitutional matters was the second such meeting in a process that will continue until at least 1987.

As honourable members may recall, one of the major achievements of the March '83 conference was to establish a process allowing governments and aboriginal peoples sufficient time to explore the complex questions associated with the aboriginal constitutional issue. Given the complexity of this issue, it is not surprising that there was no agreement on further constitutional amendments at the March 1984 conference. However, there was a productive discussion of some important issues, including equality rights, aboriginal self-government, and the constitutional responsibility for Metis, which of course has been the subject of discussions during the past weekend, and was also part of the Premier's responses today in the question period.

One underlying issue at that conference was the way in which aboriginal aspirations enunciated in the constitutional forum can best be accommodated. The possible options range from action outside the Constitution to the inclusion of guaranteed aboriginal rights in the Constitution. The government of Alberta believes it is essential to understand the implications of any proposed constitutional provisions in the Constitution. We also believe many practical measures can be taken outside the constitutional process to meet aboriginal needs within this province. So the issue of what form aboriginal constitutional provisions should take will continue to be important in the ongoing discussions on aboriginal constitutional matters. The more basic question of whether or not there should be amendments relating to matters such as aboriginal self-government or land and resources can be expected to receive increasing attention and priority.

Within the most recently concluded conference, there was a general shift in attention from process to substance. I anticipate that the remainder of the discussion process will centre on the many issues of substance which have been raised to date but which have not been resolved.

Federal and Intergovernmental Affairs will continue to play a major role in co-operation with other key departments – the Native Secretariat, the Attorney General's department, Municipal Affairs, and others – in the important and ongoing constitutional discussions. In the year ahead, I anticipate that there will be considerable preparations undertaken for the next first ministers' conference, which is constitutionally provided for by April 17, 1985.

Mr. Chairman, since the patriation of the Constitution on April 17, 1982, careful consideration and study have been directed toward possible reform of Canada's national institutions. In Alberta and in other parts of the country, a great deal of attention has been focussed on possible ways of reform and revitalization of the upper Chamber so that it performs the function for which it was originally intended: the representation of provincial concerns and interests within the national legislative process.

In a federal system such as Canada's, it is a fundamental principle that the upper House, the Senate, should represent the partners in the federation in order to counterbalance certain majorities which may be achieved in the lower House, which is based upon representation by population. Under the amending formula – Alberta's in form and substance – which is contained in the **Constitution Act of 1982**, the reform of Canada's upper Chamber requires the consent of the provinces – at least seven of the 10 provinces – containing 50 per cent of the population of Canada. It is essential therefore that the provinces review the various options for reform to ensure they are well prepared to advance and to respond appropriately to the various reform proposals. Alberta has established a select committee, co-chaired by the hon. members for Calgary Currie and Calgary North West, to make recommendations to this Legislature on Senate reform and, in due course, those proposals will be laid before this House.

Between January 31 and February 4, I had the opportunity to study the operation of the West German federal system and, in particular, the role and function of the Bundesrat within the German federation. The West German visit was a joint initiative by myself and the Ontario Minister of Intergovernmental Affairs, the Hon. Thomas Wells. Since it is expected that the reform of our upper Chamber may soon be the subject of intergovernmental negotiations, we considered it important to examine firsthand the functioning of the second Chamber in the German federal system and its possible applicability to Canada.

As I indicated in my remarks to this Assembly on March 22 during the course of the debate on the motion by the hon. Member of Edmonton Norwood, I will be reporting on that visit to the select committee in some considerable detail, so I will not do so this evening. I can assure members of the Assembly that the opportunity to meet with a great many elected representatives of the West German federal government, the Bundestag and the Bundesrat, was a valuable and insightful experience; for example, to meet with Dr. Franz Josef Strauss, Prime Minister of Bavaria and the president of the Bundesrat, and to discuss his observations on the operation of German federalism. As I have indicated, I will pay attention to reporting to the select committee on the results of those discussions when I have an opportunity to meet with them.

One other aspect of the department that I think I should touch on is the provision within the budget for $243,500 in grants. Of this amount, the largest single grant, $90,000, goes, as do other grants from other provinces and the federal government, to the Canadian Intergovernmental Conference Secretariat, which serves first ministers' conferences and various ministerial conferences, and I believe has done so very well. The Alberta government has been providing such funding since the mid-70's, and this year, as I have indicated, the grant is $90,000. Additional grant funds totalling $53,500 are provided to the Canadian Plains Research Center at the University of Regina and to the Institute of Intergovernmental Affairs at Queen's University in support of their unique and worthwhile endeavours.

I'm requesting approval from the Assembly for $100,000 in unconditional grants intended to provide funds for worthy

purposes of supporting Canadian studies programs and intergovernmental organizations, primarily in the United States and overseas. These funds will be granted at the discretion of the department and within my mandate as Minister of Federal and Intergovernmental Affairs. For example, last year grants were provided to the Association for Canadian Studies in the United States, to the 49th Parallel Institute for Canadian/American Relations at Montana State University in Bozeman, and to the Americas Society based in New York. Other such programs may very well be supported in the coming year.

In conclusion, Mr. Chairman, I wish to assure you that Federal and Intergovernmental Affairs will continue to play its supportive role representing Alberta's interests as an equal partner in Confederation. We will ensure that the Alberta government's activities in relation to federal, provincial, and territorial governments in Canada, and to governments abroad, are conducted in a co-ordinated and consistent manner. As part of that responsibility, as I indicated in my remarks to this Assembly speaking to the budget motion, I will be visiting sister provinces in Canada, provinces we are twinned with in other part of the world, several U.S. states where we maintain offices, and our foreign offices where they are located throughout the world.

Before I conclude my general remarks this evening, Mr. Chairman, I think it would be useful for all members of the Assembly to pay particular tribute to the work that has been done on behalf of the government of Alberta by Dr. Peter Meekison, who is retiring from government service, having spent 10 years with the Department of Federal and Intergovernmental Affairs, and is now returning to academia to take a role as a vice-president at the University of Alberta.

I must confess to a certain amount of personal regret that Dr. Meekison has made this decision. His relationship with me goes back to our university days when we served together on student council at the University of British Columbia. Over the years, quite a few in number now, we have been able to maintain a fairly close contact and a good friendship during period of time. Dr. Meekison's service to the government of Alberta and to the people of Canada should be well recognized and indeed will be recognized in history, since he was one of the prime architects, with our government, of the amending formula which is now part of the constitution of Canada. His role should be recognized by all members of the Assembly as he takes up his new responsibilities. However, he's still working until the end of June for the government of Alberta and, of course, he will be working – I think they start working them over at the university on July 1; I'm sure that will take place. But the university's gain is certainly our loss, and we wish him well in his new activities.

Appendix XII

List of Federal-Provincial Programs and Agreements in Effect in Alberta by Department

March 31, 1985

Advanced Education

1 Canada Student Loans
2 Charles Camsell Hospital Nursing Assistant Agreement
3 Citizenship Instruction and Language Textbook Agreement
4 College St. Jean Agreement
5 Drumheller Correctional Institutional Education Program
6 Edmonton Penitentiary Agreement
7 Federal-Provincial Program for Assistance to Minority Language Instruction
8 Instructor and Administrator Staff Secondment
9 Post-Secondary Education Financing Program
10 Universities Academic Pension Board Canada Agreement

Agriculture

1 All-Risk Crop Insurance Program
2 Canada-Alberta Agricultural Research Agreement
3 Canada/Alberta/Saskatchewan/Manitoba Prairie Livestock Drought Assistance Agreement
4 Canada/Alberta Memorandum of Understanding for Agriculture and Food Development
5 Canada-Alberta Subsidiary Agreement on Nutritive Processing Assistance
6 Comprehensive Egg Marketing Program
7 Comprehensive Turkey Marketing Program
8 Federal-Provincial 4-H Agreement
9 Milk Marketing Plan

Alberta Disaster Services Commission

1 Emergency Health Services – Requisitioning of Emergency Medical Supplies

Alberta Research Council

1 Agreement to Provide Space to the Western Regional Laboratory of the Canada Department of Energy, Mines and Resources
2 Fuel, Lubricants, Liquid Nitrogen, and Oxygen Testing for the Department of National Defence

Attorney General

1 Compensation to Victims of Crime
2 Federal-Provincial Agreement on Criminal Legal Aid
3 Memorandum of Agreement Between Government of Canada and Government of Alberta Relating to the Privacy Act

Culture

1 Multilingual Biblioservice Agreement
2 National Museums Corporation Program
3 1979 Agreement Respecting Lotteries

Economic Development

1 Product Development Management Program

Education

1 Capital Grants to School Boards
2 Full-Time Monitor Program
3 Interchange on Canada Studies Inc.
4 Interprovincial Second-Language Monitor Program
5 Monitor Program for Francophones
6 Program of Co-operation for Bilingualism in Education
7 Protocol for Agreement Between Government of Canada and Government of Alberta for Minority Language Education.
8 Summer Language Bursary Program

Energy and Natural Resources

1 Alberta/Canada Energy Resources Research Fund
2 Border Zone Agreement re: National Parks
3 Canada/Alberta Agreement on Natural Gas Pricing and Market Development Assistance
4 Canada/Alberta Forest Resource Development Subsidiary Agreement
5 Canada/Alberta Memorandum of Agreement Relating to Energy/Pricing and Taxation
6 Canadian Energy Research Institute
7 Cold Lake Air Weapons Range Access Agreement
8 Energy Bus Program
9 Federal-Provincial Fire Co-operation Zone Agreement
10 Freshwater Fish Marketing Co-operation
11 Indian Reserve Fire Control Agreements
12 Inter-Agency Forest Fire Centre Agreement
13 Inter-Agency Mutual Aid Resources Sharing Agreement
14 Manyberries Range Experimental Station
15 Memorandum of Understanding Concerning the Co-ordination of Forest Research
16 Namao Airport Lease Arrangement
17 Natural Resources Transfer Agreement
18 Primrose Lake Air Weapons Agreement
19 Suffield Block Agreement
20 Swift Fox Agreement
21 Wainwright Military Camp Agreement
22 Waterfowl Crop Damage Compensation Program
23 Waterfowl Crop Damage Prevention Program
24 Wood Bison Agreement

Energy Resources Conservation Board

1 Arrangement on Drill Cuttings

Environment
1 Active and Inactive Landfill Site Study
2 Canada-Alberta Accord for the Protection and Enhancement of Environmental Quality
3 Canada-Alberta Agreement on Hydrometric Stations
4 Canada-Alberta Meteorological Programs and Stations Agreement
5 Irrigation Rehabilitation Program
6 MacKenzie River Basin Committee
7 Peace-Athabasca Delta Implementation Agreement
8 Prairie Provinces Water Board Agreement

Federal and Intergovernmental Affairs
1 Alberta-Canada Funds Transfer Agreement
2 Canada Alberta Economic Regional Development Agreement
3 Memorandum of Agreement on the Transit Pipeline Treaty
4 Memorandum of Agreement on Administrative Matters for the Alaska Highway Gas Pipeline

Government Services
1 Metric Conversion Information Centre Agreement
2 Visiting Journalists Program

Hospitals and Medical Care
1 Alberta Health Care Insurance Plan
2 Alberta Hospitalization Benefits Plan
3 Hospital Supplementary Insurance Fund

Housing and Public Works
1 Sales Tax Refund

Alberta Housing Corporation
1 Community Housing Program
2 Municipal Non-Profit Housing Program
3 Rural and Native Housing Program
4 Rural Home Assistance Program
5 Senior Citizens Self-Contained Program

Manpower
1 Canada-Alberta New Employment Expansion and Development Program
2 Canada-Alberta Forestry Employment Budgetary Program Agreement
3 Canada-Alberta National Training Act Agreement

Municipal Affairs
1 Canyon Creek Wharf Agreement
2 Enhanced Value Loan Agreements
3 Fort Chipewyan Water Pipeline Agreement
4 Hamlet of Suffield Water Agreement
5 Intergovernmental Committee on Urban and Regional Research (ICURR)

Recreation and Parks
1 Operation Parkwatch

Social Services and Community Health
1 Canada Assistance Plan
2 Child Welfare Services to Treaty Indians
3 Family and Community Support Services (on Frog Lake and Saddle Lake Reserves)
4 Lesser Slave Lake Indian Regional Council – Canada – Alberta Child Welfare Agreement
5 National Health Grants: Research Program
6 National Welfare Grants
7 Social Allowance to Treaty Indians
8 Vocational Rehabilitation of Disabled Persons Agreement
9 Social Services System Development

Solicitor General
1 Accreditation and Funding of Community Residential Centres
2 Community Assessment and Parole Supervision
3 Exchange of Correctional Services Agreement
4 Firearms Control
5 Native Courtworker Program
6 RCMP Provincial Policing Contract

Tourism and Small Business
1 Familiarization-Education Tours for the Travel Trade/ Visit Canada Program for the Travel Press
2 Memorandum of Understanding Concerning the Canada/ Alberta Tourism Development Strategy

Transportation
1 River Crossing Structures in Indian Reserves

Treasury
1 Canada Pension Plan Investment Fund
2 Established Programs Financing
3 Federal-Provincial Cost-Sharing Agreement on Co-operative Annual Survey of Salaries, Wage Rates and Working Conditions
4 Fiscal Equalization Payments
5 Fiscal Stabilization Payments to Provinces
6 Provincial Personal Income Tax Revenue Guarantee Payments
7 Public Utility Corporations Income Tax Rebate
8 Statutory Subsidies
9 Tax Collection Agreement
10 Transfer Payments with Respect to Tax on 1971 Undistributed Income on Hand

Appendix XIII

International Agreements Involving Alberta, in effect March 31, 1985, by Department Responsible

The following is a list of international agreements involving Alberta government departments and agencies. The list does not include agreements between Alberta and federal agencies for the performance of contracts in foreign countries, as these constitute federal-provincial rather than international agreements.

Advanced Education

1 Memorandum of Understanding between Advanced Education and the Vocational and Industrial Training Board of Singapore

Agriculture

1 Agriculture Sub-Agreement to Protocol of Understanding and Friendship with the Province of Heilongjiang, People's Republic of China
2 Agricultural Co-operation Agreement with the State of Alaska, United States of America
3 Memorandum of Understanding with the State of Montana, United States of America, concerning co-operation in research and control of dryland salinity

Alberta Research Council

1 Agreement for Conducting Atmospheric Measurements in the Bering Sea with the national Oceanic and Atmospheric Division, United States Department of Commerce

Alberta Oil Sands Technology & Research Authority (AOSTRA)

1 Letter of Understanding between AOSTRA and Yaciemientos Petrolifero Fiscales (YPF) of Argentina
2 Letter of Co-operation between AOSTRA and the Daqing Petroleum/Petroleum Institute of the People's Republic of China
3 Letter of Co-operation between AOSTRA and the Hungarian Hydrocarbon Institute
4 Memorandum of Understanding between AOSTRA and the Research Association Petroleum Alternatives Development (RAPAD) of Japan
5 Letter of Understanding between AOSTRA and Petroleos del Peru (PETROPERU) of Peru
6 Memorandum of Understanding between AOSTRA and Rompetrol of Romania
7 Memorandum of Agreement among AOSTRA, the Department of Energy, Mines and Resources (Canada), the Saskatchewan Department of Mineral Resources, and the United States Department of Energy (2 agreements)
8 Letter of Understanding between AOSTRA and Instituto Tecnologico Venezolano Del Petroleo (Intevep), of Venezuela

Environment

1 Contractual Agreement with the Commonwealth Institute of Biological Control, headquartered in Switzerland
2 Memorandum of Agreement with the National Earth Satellite Service of the United States Department of Commerce

Federal and Intergovernmental Affairs

1 Protocol of Understanding and Friendship between Alberta and the Province of Heilongjiang, People's Republic of China
2 Proclamation of Friendship and Affiliation between Alberta and the Prefecture of Hokkaido, Japan
3 Proclamation between Alberta and the Province of Gangweon, Republic of Korea

Recreation and Parks

1 Sports Exchange Agreement with the Hokkaido Amateur Sports Association (HASA), of Japan
2 Sports Exchange Agreement with the Prefecture of Heilongjiang, People's Republic of China

Transportation

1 Uniform Vehicle Registration Proration and Reciprocity Agreement among Alberta, the Province of British Columbia, and various states of the United States of America
2 International Registration Plan – registration reciprocity agreement among Alberta and various states of the United States of America

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